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# Revenue

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## Introduction

The economic outlook for the District of Columbia and the United States in FY 2004 and FY 2005 is good. Across the nation, strong growth in the second half of FY 2004 is likely as a result of higher productivity, greater government spending, and reduced geo-political risks. While total employment has been slow to increase, this also should show gains as productivity savings are used up.

The District will enjoy these national trends and some additional strengths of its own. Higher federal spending means an extra "kick" locally because more than our share of these dollars will be spent here. The election cycle favors the D.C. economy and changes in government personnel and structure add to housing and other demand locally. Currently, small business growth is helping the economy in the District and this is expected to continue, adding jobs and economic activity. Retail activity will improve somewhat, as the number of retail outlets in the District continues to grow and as shoppers spend their larger-sized refunds of federal income tax. The planned openings of the National Museum of the American Indian and the World War II Memorial on the National Mall, along with other shopping and eating venues, add to expected business in the hospitality sector in FY 2004. The estimating assumptions for FY 2004 and FY 2005 include about 1 percent growth each year in total jobs; 5.6 percent and 4.9 percent increases in personal income of District residents; and

inflation of 1.8 and 2.0 percentage points.

One key economic question for the District in FY 2004 and on into FY 2005 is "What will happen in the market for real property?" The total value of real property sales grew 35 percent in FY 2003, after a 4 percent drop in FY 2002, 39 percent growth in FY 2001, and a 5 percent drop in FY 2000. In a pattern that moderates the movements of the past 4 years, we expect about the same total value of sales in FY 2004 as in FY 2003, with a small increase in FY 2005. The reasons have to do with the two separate components of the real property market - housing and commercial real property.

Housing demand remains strong in the Washington metropolitan region and in the District and the number of sales is expected to grow as the housing stock increases. Average price of the District's housing stock increased by roughly 15 percent in FY 2003, in part due to improving quality as deteriorated structures are replaced and others are renovated. With public confidence about safety and street maintenance apparently good, the D.C. location remains attractive for households that prefer not to be committed to a daily commute. Homeland security, outsourcing of government activities, and other changes to the federal government help fuel the demand for D.C. homes. Even with moderately rising interest rates and deceleration in the growth of prices, the total value of residential purchases is expected to increase slightly in FY 2004 and FY 2005.

The total value of commercial sales also is forecast to grow mildly in FY 2004 and again in FY 2005. The Washington area commercial market remains strong and attractive to investors from around the world. Many new buildings are under construction or in the active planning stage. Within the Metropolitan area and the nation, D.C.'s vacancy rates for commercial office space remain low. All of these factors suggest that the commercial office market will remain lively.

In total, these economic effects will shape the revenue collections by the District of Columbia in FY 2004 and FY 2005. Some growth in resident employment, along with increases in personal income and recovery of the financial markets, will contribute to the rebound of individual income tax revenues and we forecast growth of 5.4 percent in each year. Franchise tax revenues also will grow, after adjusting for some one-time events in FY 2003, with about 7 percent increases in FY 2004 and 4 percent in FY 2005.

Collection of deed tax will be about the same in FY 2004/05 and in FY 2003 before netting out the increased "carve out" for the housing production trust fund. Fifteen percent of all Recordation and Transfer Tax collections will be set aside for the Housing Production Trust Fund effective FY 2004. The real property tax baseline will continue to increase by about 13 percent in both years, as was also true in FY 2003. Changes in policy to increase the homestead exemption to \$38,000 and to cap homestead tax increases at 12 percent will hold the growth in collections to about 9 percent in FY 2004. The base for personal property collections is forecast to grow less than 1 percent in each year and revenue will drop due to a new policy that takes 15 percent (up to \$10 million a year) for a new Neighborhood Development Trust Fund.

In all, total revenue available for general fund purposes in FY 2004 is forecast to be 2.6 percent greater than in FY 2003 and to grow another 5.1 percent in FY 2005.

Although economic growth numbers for the last two quarters of FY 2003 indicate a recovering national economy, a number of risks remain. One major risk is a sharp upward movement in long-term interest rates as a result of current

imbalances in the economy-in particular, the record-level budget and trade deficits. The District's revenue estimates are vulnerable to a sharp rise in the interest rate; our forecast calls for a gradual rise in long-term interest rates. A sharp rise in interest rates would cause a sharper slowdown in the real estate market than we are forecasting here.

Another source of risk to the national economy is the current slow recovery of the job market. National forecasters expect a strong job market recovery that will prevent wages and salaries and personal income growth from stagnation. Stagnation would impede the current economic recovery, especially if it leads to a cutback in consumer spending. The District's job market tends to be more stable than the nation as a whole because of the presence of the federal government. However, a national slowdown in personal income growth could feedback to the District economy if there is a cutback in tourism spending.

## **Economic Assumptions for the FY 2005-2008 Revenue Estimates and Financial Plan**

The U.S. economic recovery that has occurred in recent months is good news for the District of Columbia's economy, which has benefited from increased government spending as well. The economic assumptions underlying the District's FY 2005 to FY 2008 Revenue Estimates and Financial Plan assume continued growth in line with that occurring nationally. However, the pace of the national economic recovery remains uncertain, particularly because employment and wage and salary earnings have not yet shown much increase. These and other risk factors affecting the District's economic performance, such as changes in real estate markets and homeland security developments, are beyond the District's control.

## **Outlook for the U.S. Economy**

U.S. Real Gross Domestic Product grew at an annual rate of 4.0 percent during the quarter that ended on December 31, 2003 according to the U.S. Bureau of Economic Analysis. Although this was a decline from the 8.2 percent rate in the

quarter that ended on September 30, 2003, it still presents evidence that the U.S. economy is in a period of sustained economic growth. Nominal Gross Domestic Product and Nominal Personal Income in the quarter that ended on December 31, 2003 were 5.9 percent and 3.9 percent higher, respectively, than in the same quarter of 2002. Inflation and interest rates were low, and by December 31, 2003 the stock market had recovered some of its lost ground.

Of concern is the absence of growth in employment and wages. Wage and salary employment in the quarter ending December 31, 2003, was down 0.2 percent from the prior year. Furthermore, the percentage growth of wages and salaries in this period was only 2.8 percent.

The forecasts of the U.S. economy prepared by the Congressional Budget Office (CBO) and the Blue Chip Indicators suggest that steady growth will continue to occur through FY 2004

and FY 2005, with real, but slower, growth in the years following. Inflation is expected to remain below 2.0 percent until FY 2006, and then increase to only about 2.2 percent. Interest rates are expected to rise from the low levels of FY 2003, but a sharp rise in rates is not expected; neither CBO nor the Blue Chip Indicators anticipate rates above 5.5 percent through FY 2008. Economy.com and Global Insight, Inc. forecast positive stock market gains through FY 2008, but they vary according to the magnitude of the forecast gain in FY 2005 and 2006.

### Outlook for the D.C. Economy

The D.C. economy was adversely affected by the U.S. recession that began in March 2001 and the events of September 11. As the District's economy moved into FY 2004, however, several factors make the District well poised to respond to improvement in the national economic climate. The District's service-oriented economy appears

Table 4-1

### Selected Economic Forecasts for the U.S. Economy through FY 2008 (Percent change from prior fiscal year)

	FY 2002 actual	FY 2003 actual	FY 2004 est.	FY 2005 est.	FY 2006 est.	FY 2007 est.	FY 2008 est.
GDP							
Real							
Blue Chip	1.5	2.7	4.7	3.9			
CBO	1.5	2.7	4.7	4.3	3.5	2.6	2.8
Nominal							
Blue Chip	3.3	4.4	6.2	5.5			
CBO	3.3	4.4	5.9	5.4	4.9	4.4	4.7
Inflation							
CPI							
Blue Chip	1.5	2.4	1.8	2.0			
CBO	1.5	2.4	1.7	1.6	2.0	2.2	2.2
Interest Rates							
10 Year Treas.							
Blue Chip	4.8	4.0	4.6	4.7			
CBO	4.8	4.5	5.3	.5	5.5	5.5	5.5
S&P 500							
Global Insight	-16.0	-12.5	17.8	5.3	5.3	7.1	7.7
Economy.com	-16.0	-12.5	22.3	11.5	14.5	6.1	5.5

Sources: Congressional Budget Office: Budget and Economic Outlook, January 2004; Blue Chip Indicators, January 2004 (estimated only through FY 2005); Global Insight Winter 2004 forecast; Economy.com November 2004 forecast.

to have rebounded in some respects more quickly than the U.S. economy as a whole. Furthermore, increases in federal spending appear to have continuing benefits to the District's economy.

Until the summer and fall of 2003, the employment picture for jobs located in the District of Columbia had been more favorable than for the U.S. economy as a whole. For the 30-month period from July 2001 through December 2003, U.S. employment was below that of the same month of the previous year for every one of those 30 months according to the Bureau of Labor Statistics. For the District, employment was greater than a year earlier in 21 of those months. Then, starting in June 2003, D.C. employment levels began to fall below those of the previous year, and the District's employment picture began to look more like the national one. Wage and salary employment in the District for the quarter ending December 31, 2003 was 0.2 percent less than a year earlier, the same percentage decline experienced in the U.S. economy as a whole.

A comparison of employment levels in the District of Columbia in the quarters ending December 31st in 2001, 2002, and 2003 shows the impact of the recession and September 11, as well as the slowdown that followed 2002's job growth. In the last quarter of CY 2001, the District lost more than 10,000 private sector jobs compared to 2000, offset in part by an increase of 7,100 federal government jobs. The last quarter of CY 2002 showed a gain of 9,700 jobs (1.5 percent), led by services and a rebound in the hospitality sector. In the last quarter of CY 2003, modest gains in the services and hospitality sectors were not enough to counter public and other private sector declines.

The pattern of weak growth in wages and salaries that has occurred in the U.S. economy has also occurred in the District of Columbia. Wage growth slowed sharply in FY 2002. For FY 2003, the estimated 2.0 percent growth in D.C. wages and salaries was just above the 1.8 percent rate for the United States.

In FY 2003 real estate markets remained strong in the District of Columbia. The value of sales for single family, condominium, and commercial office buildings rose 10.9 percent, 37.4 percent, and 39.1 percent, respectively, in FY 2003. For the quarter ending September 30, 2003, the inventory of commercial office space was up by 2.9 million square feet (2.7 percent) from the prior year, while the vacancy rate (including space for sublet) was unchanged at 6.7 percent. In the first quarter of FY 2004, average prices and value of transactions continued to increase for both residential and commercial property, and the vacancy rate of commercial office space (including sublet space) increased slightly to 7.1 percent (still very low compared to the rest of the nation).

Forecasts of the D.C. economy prepared by Global Insight, Inc. and Economy.com suggest steady growth in income and employment over the period from FY 2004 through FY 2008. The forecasts diverge, however, in the degree to which income will grow, with Global Insight anticipating more rapid growth in personal income than Economy.com. For the housing market, both expect the number of home sales to decline in FY 2004 and FY 2005, with Economy.com showing the impact occurring sooner. Both forecasters also expect the rise in house prices to slow considerably starting in FY 2004, but neither anticipates that prices will actually decline.

Table 4-2

**Percent Change in D.C. and U.S. Wage and Salary Employment: Quarter Ending December 31, 2003 Compared With the Quarter Ending December 31, 2002**

	DC	US
Wage and Salary Jobs		
All	-0.2%	-0.2%
Private Sector	-0.2%	-0.2%

Source: BLS

Table 4-3

### Change in D.C. Wage and Salary Employment by Sector in 2001, 2002, and 2003: Quarter Ending December 31st Compared With the Same Quarter of the Previous Year

(change in number of wage and salary employees)

Sector	2001	2002	2003
Federal Government	7,170	3,230	-500
Trade	-530	-170	0
Hospitality	-3,540	3,070	470
Services	-30	4,470	800
Other Private	-6,170	1,470	-2,170
Local Government	130	-2,330	-170
Total	-2,970	9,740	-1,570
% change	-0.4%	+1.5%	-0.2%
Private Sector Only	-10,270	8,830	-900

Source: BLS

Table 4-4

### Growth in Wages and Salaries in D.C. and the U.S.: FY 2001, FY 2002, and FY 2003

(Percent change from the prior year)

	FY 2001	FY 2002	FY 2003
Wages and Salaries			
DC	6.1	2.5	2.0
US	4.1	0.2	1.8

Source: BEA, Personal Income by States, January 25, 2004

The FY 2005 Proposed Budget and Financial Plan assumes that output, income, and employment will continue to increase in FY 2005 and FY 2006 in keeping with national forecasts and the regional forecasts of Global Insight and Economy.com. The growth rates in those years are estimated to be somewhat below the recovery year of FY 2004.

#### Short Term (FY 2004-2005)

**Gross State Product (GSP).** GSP, the value added in production by the labor and property located in a state, is a measure of the gross output of all industries in a state. Growth in the

District's real gross state product is expected to rise to 3.4 percent in FY 2004, dropping just slightly to 3.3 percent growth in FY 2005. The growth rate of nominal GSP also picks up in FY 2004, and continues in subsequent years at rates close to those of the national economy. The FY 2004 recovery is led by increases in the District's service sectors.

**Personal Income.** Personal income is a measure of before-tax income received by all persons in the District. It is the total of net earnings by place of residence, rental income, personal dividend income, personal interest income, and transfer payments. The growth in D.C. personal

Table 4-5

### Summary of DC Residential and Commercial Real Estate Transactions: FY 2002 and FY 2003

(Percent change from prior year)

	FY 2002			FY 2003		
	Number of sales	Average price	Value of transactions	Number of sales	Average price	Value of transactions
Residential						
Single Family	2.8	11.7	14.8	3.9	6.8	10.9
Condominium	15.4	18.2	36.4	17.0	17.5	37.4
Commercial Office Buildings	14.8 <sup>a</sup>	11.3	27.8	23.6a	12.6	39.1

a. number of square feet sold.

Sources: Residential: MRIS data accessed through Greater Capital Area Association of Realtors. Commercial: Delta Associates.

Table 4-6

### Forecasts of Selected DC Economic Indicators by Global Insight and Economy.com through FY 2008

	FY 2002 actual	FY 2003 actual	FY 2004 est.	FY 2005 est.	FY 2006 est.	FY 2007 est.	FY 2008 est.
Gross State Product							
Global Insight	6.0	3.8	5.2	5.7	5.2	5.6	5.3
Economy.com	6.7	5.8	5.9	4.4	4.7	5.2	5.0
Personal Income							
Global Insight	4.0	4.3	5.8	6.1	6.2	6.5	6.9
Economy.com	4.0	4.3	2.7	3.3	3.4	3.6	3.6
Employment							
Global Insight	1.1	0.2	0.9	1.4	1.2	1.1	1.1
Economy.com	1.1	0.2	0.2	1.7	1.5	1.1	1.1
Housing Market							
Sales							
Global Insight	6.7	11.4	-1.0	-7.3	-2.9	2.0	1.2
Economy.com	6.7	11.2	-8.4	-9.9	1.6	1.0	0.2
Prices							
Global Insight*	15.1	11.7	6.1	3.2	3.1	3.5	3.9
Economy.com	22.2	13.2	4.9	1.8	2.6	2.5	2.6

\* median \*\*OFEO Index for existing units

Sources: Global Insight, Winter 2004; Economy.com November 2003

Table 4-7

### Estimated Key Variables for the D.C. Economy for the Forecast Period FY 2002 through FY 2008

	FY 2002 actual	FY 2003 actual	FY 2004 est.	FY 2005 est.	FY 2006 est.	FY 2007 est.	FY 2008 est.
Gross State Product (nominal; \$ billions)	67.62	70.81	74.61	78.34	82.06	85.99	90.10
	6.9%	4.7%	5.4%	5.0%	4.7%	4.8%	4.8%
Personal Income (\$ billions)	24.24	25.27	26.88	27.98	29.15	30.33	31.56
	4.1%	4.3%	5.6%	4.9%	4.2%	4.1%	4.1%
Earnings of DC Residents (\$ billions)	16.61	17.53	18.50	19.34	20.18	21.06	21.98
	5.1%	5.5%	5.6%	4.5%	4.3%	4.4%	4.4%
At-place Employment (thousands)	661.7	663.3	670.6	677.3	684.7	692.3	699.9
	1.1%	0.2%	1.1%	1.0%	1.1%	1.1%	1.1%
Wash Area CPI (% change from prior year)	2.2	3.0	1.8	2.0	1.9	2.1	2.2
Interest Rate on 10-year Treasury Notes (%)	4.8	3.9	4.5	5.3	5.5	5.6	5.7
Change in S&P Index of Common Stock	-16.0%	-12.5%	17.6%	6.7%	6.4%	6.4%	6.4%

Note: Estimated by the D.C. Office of Revenue Analysis based on forecasts of the D.C. and national economies prepared by Global Insight (Winter 2004) and Economy.com (November 2003); on forecasts of the national economy prepared by the Congressional Budget Office (January 2004 and Blue Chip Economic Indicators (January 2004); on BLS labor market information from December 2003; on the 2000 Census and Census Bureau estimates of the 2003 D.C. population (December 2003); on Bureau of Economic Analysis estimates of D.C. Personal Income (January 2004); and on D.C. Office of Planning information on housing construction activity (August 2003).

income is expected to improve in FY 2004 as we move away from the recession of prior years. The 5.6 percent growth forecast for FY 2004 is anticipated to drop to 4.9 percent in FY 2005 after the "catch-up" period ends.

**Wage and Salary Employment Located in D.C.** Employment in the District in FY 2004 is expected to increase by 7,300 (1.1 percent), then increase another 7,300 (1.0 percent) in FY 2005. Most of the increase is in the District's service sector.

**Inflation.** Inflation, as measured by the Consumer Price Index, is expected to decline to 1.8 percent in FY 2004 and rise to 2.0 percent in FY 2005.

**Interest Rates.** The interest rate on the 10-year Treasury note is forecast to increase to 4.5 percent in FY 2004 and 5.3 percent in FY 2005.

**Stock Market.** The FY 2004 budget assumes that the S&P 500 Index of Common Stocks will

increase an average of 17.6 percent in FY 2004 over the average of FY 2003, and 6.7 percent in FY 2005. Market growth throughout the rest of the financial plan period is the average growth rate relative to growth in U.S. GDP in the period since 1970.

### Long Term (FY 2006-2008)

In looking ahead to FY 2006 through FY 2008, the key national economic issues are how rapidly the national economy (including employment and wages) recovers from the recession and the resolution of geo-political factors. Absent any disturbances arising from the national economy, the Washington, DC metropolitan area economy is expected to show strength over the long term as it benefits from increased federal government expenditures for both national and homeland defense. While Northern Virginia receives the direct benefit from much of this spending,

there will be economic spillovers to District businesses. The continuing revitalization of the downtown area will draw metropolitan area residents to downtown restaurants, shops, and theaters. The new convention center that opened in FY 2003 should continue to boost the city's tourism industry. The housing market is expected to remain strong as improving conditions in the city continue to attract new residents, although the commercial real estate market may experience slower gains. Jobs in D.C. are assumed to increase by about 7,600 per year during the FY 2006 to FY 2008 period. Inflation-adjusted gross state product and personal income grow at average annual rates of 2.8 percent and 2.1 percent, respectively, over the same period.

### **Population, Households, Housing, and Resident Employment**

D.C.'s 2000 Census count of 572,059 showed that the District of Columbia lost less population during the 1990s than the U.S. Census Bureau had been expecting. The District's population now appears to have stabilized, and the market for new and rehabilitated housing has been strong and is expected to remain so. About 7,500 new and rehabilitated units were completed in FY 2001 through 2003, and the pace is expected to pick up to an approximate combined total of 10,000 new and rehabilitated units in FY 2004 and 2005. This new activity is a major reversal of declining trends over the past several decades. Despite the active housing market, however, the U.S. Bureau of the Census estimates that D.C.'s population has continued to decline. The Census estimate of 563,384 as of July 1, 2003, represents a decline of 8,700 or 1.5 percent from the 2000 Census. Similarly, the U.S. Bureau of Labor Statistics estimates that D.C.'s labor force was 7,000 (-2.2 percent) smaller in CY 2003 than in CY 2000, and resident employment was down 10,500 (-3.6 percent) over that time, with declines occurring each year since 2000.

Presently, the District's housing and employment markets are very active, but there is much that is not known about the dynamics of changes in the District's population, households

(size and age distributions), housing stock (new units and units going out of existence), labor force, and resident employment. At some point continued construction would be expected to result in a net increase in the District's housing stock and households, and probably population, labor force, and employed residents as well. The federal statistics available for the District do not yet show such gains.

### **Uncertainties Could Affect the Economic Assumptions**

In developing economic projections for the District, there are always questions about the future and what could occur. The uncertainties associated with the FY 2004 through FY 2008 period are significant and add an additional element of risk to the economic and revenue forecasts. These risks include the uncertain nature of the national economic recovery and future stock market gains, possible cooling off of the D.C. real estate markets, and geo-political and security issues that have come to the forefront after September 11 and the Iraq war. High productivity has enabled businesses to make the most out of current employment levels and thus acts as another impediment to new hiring. The difficult fiscal situation faced by state and local governments is forcing most jurisdictions either to make spending cuts or to increase taxes to bring their budgets into balance. However, these budget-balancing steps are a drag on the national economy.

**Homeland Security.** The new federal Department of Homeland Security has thus far benefited the District since the District was selected as the department's temporary headquarters. However, the long-term impact of the department on the District is uncertain. These benefits should continue if the department decides to consolidate its constituent agencies in a single location in the District. Because of September 11, the war with Iraq, and other events in the Middle East, there is still concern that the District is a target for terrorism. What impact will terrorism concerns have on the business activity in the District? How will the views of insurers about the District affect the commercial real estate market? Will tourism to the District pick up now that the war with Iraq is in



a new phase? These are among the unanswered questions that are key to determining the future direction of the D.C. economy.

**D.C. Real Estate Markets.** Substantial increases in prices and value of transactions in both residential and commercial real estate markets were major sources of revenue gains in FY 2002 and FY 2003 and are expected to contribute significantly to FY 2004 revenues as well. A number of market observers point out that some of the key fundamentals affecting the District's real estate markets remain strong: individuals and businesses both continue to demonstrate desire to locate in the District and the supply of housing and land for commercial development cannot increase very much. While it is not prudent to assume that the very high rates of growth in prices and the value of transactions experienced over the past two years can be sustained for long, there is considerable uncertainty about how much slowdown will occur and when this will take place. A sharp increase in interest rates would contribute to such a slowdown, and other factors such as slow growth in employment and income could adversely affect the markets as well.

**Federal Tax and Budget Policies.** The President's FY 2004 and FY 2005 budget forecasts show considerable federal deficits in this period. One question that has been raised is whether the plan will provide a stimulus in the short term. Some economists have questioned how much of a stimulative effect the plan will have on consumer spending given that many of the provisions will benefit upper-income individuals. There is also concern that federal deficits may lead to higher interest rates.

## Revenues

During FY 2003, local source General Fund revenue increased by \$219.8 million (6.0 percent) compared to FY 2002. As shown in Table 4-8, local-source General Fund revenue consists of local taxes, general purpose non-tax revenue (e.g., licenses and permits, fines and forfeits, and user fees), lottery revenue, and dedicated non-tax revenue. It does not include grant revenue.

## FY 2003 Revenues

Individual income taxes-the District's largest source of tax revenue-fell by 2.1 percent. This is an improvement compared to the sharp 13.6 percent decline in individual income tax revenue experienced by the District between FY 2001 and 2002. This improvement is primarily due to the recovering stock market.

Corporate franchise tax revenue, which fell by 38.8 percent in FY 2002-in part due to settlement of a court case-showed a 9.9 percent increase in FY 2003. Unincorporated business franchise tax revenue also showed strength in FY 2003-increasing by 19.1 percent in FY 2003. Overall, business income taxes increased by 12.9 percent.

Property tax revenue grew by 12.3 percent over FY 2002. Real property taxes increased by 13.3 percent, which reflects the continuing strength of residential and commercial property markets. Personal property tax revenue increased by 3.2 percent while public space tax revenue decreased by 3.4 percent in FY 2003 relative to their FY 2002 levels.

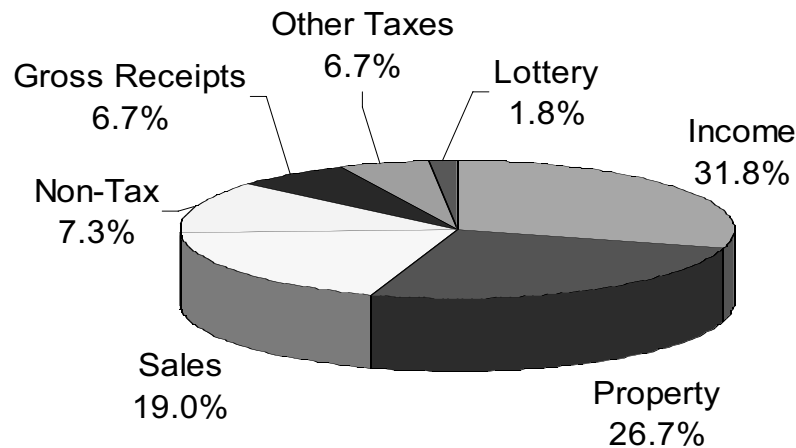
Sales taxes increased during FY 2003. Overall, sales taxes increased by 3.8 percent. General sales taxes (net of the Convention Center transfer) grew by 3.1 percent during the year. Selective sales and use taxes on alcohol fell by 2.2 percent, while revenue from the taxation of cigarettes grew by 24.2 percent. Motor vehicle excise taxes increased by 7.2 percent during FY 2003.

Gross receipts taxes in total increased by 12.8 percent in FY 2003 compared to FY 2002. The public utility and insurance premiums components of this revenue source grew by 18.3 percent and 16.3 percent, respectively, in FY 2003 relative to their FY 2002 levels. A 3.7 percent drop in revenue from toll telecommunications taxes, however, offset this growth to a small degree.

The District also received revenue from the taxation of estates, deed recordation, deed transfers, and economic interests. Revenue from these sources decreased by 5.3 percent in FY 2003 due to a large decline (76.2 percent) in revenue from the estate tax and a small drop (2.8 percent) in economic interests revenue. Deed recordation and deed transfers increased by 49.3 percent and

Figure 4-1:

### **Estimated General Fund Revenue in FY 2005 (Excluding Revenue Enhancements)**



59.2 percent, respectively-another indication of the contribution the District's strong real property markets made to District revenues in FY 2003.

Across-the-board, general purpose non-tax revenue brought in more revenue in FY 2003 compared to FY 2002. Revenue from licenses and permits grew by 19.1 percent. Charges for services and miscellaneous revenue also experienced double-digit increases in FY 2003 increasing by 18.5 percent and 11.6 percent, respectively. Revenue from fines and forfeits grew by a modest 2.2 percent during the fiscal year.

#### **Revenues in FY 2004-FY 2008**

Revenue estimates for FY 2004 show an overall increase in tax revenue of 4.5 percent, while general purpose non-tax revenues and lottery revenue are projected to decrease by 5.7 percent and 2.5 percent, respectively. Special purpose revenue is projected to grow by 16.9 percent. (Note: revenue from special purpose revenue is subject to revision since FY 2004 revised estimates will be certified separately as part of a supplemental budget.) Total general purpose General Fund revenues are estimated to increase by 2.6 percent during FY 2004. Special purpose revenue funds are projected to grow 16.9 percent.

Some pick-up in revenue growth is projected for FY 2005. Current baseline estimates for FY 2005 show an overall increase in tax revenue of 5.4 percent. Non-tax revenues and other revenue are also projected to increase-by 2.0 percent and 1.3 percent, respectively. Total non-dedicated General Fund revenues are estimated to increase by 5.1 percent during FY 2005. Special purpose revenue funds are projected to grow 8.7 percent.

#### **Specific Revenue Sources**

The income taxes account for 31.8 percent of estimated revenues in FY 2005, followed by 26.7 percent in property tax revenues, 19.0 percent in sales tax revenues, and 22.5 percent from all other sources (see Figure 4-1). These revenue sources are discussed below.

Table 4-8

# General Fund Revenue by Source, Fiscal Year 2003 Actual, Fiscal Years 2004-2008 Estimates and Projections

(\$ thousands)

Revenue Source	FY 2003 actual	FY 2004 revised	FY 2005 original	FY 2006 projected	FY 2007 projected	FY 2008 projected
Real Property	822,845	895,270	993,951	1,099,408	1,194,848	1,281,474
Personal Property (net)	67,294	69,733	58,107	58,590	59,826	61,309
Public Space	11,749	11,834	12,050	12,271	12,495	12,724
<b>Total Property</b>	<b>901,888</b>	<b>976,837</b>	<b>1,064,108</b>	<b>1,170,269</b>	<b>1,267,169</b>	<b>1,355,507</b>
General Sales (gross)	690,370	723,239	757,946	791,496	824,278	857,990
Convention Center Transfer	58,905	62,107	65,087	67,968	70,783	73,678
General Sales (net)	631,465	661,132	692,859	723,528	753,495	784,312
Alcohol	4,619	4,495	4,374	4,257	4,142	4,031
Cigarette	21,344	21,884	22,438	23,006	23,588	24,185
Motor Vehicle	37,066	38,914	40,855	42,892	45,031	47,277
<b>Total Sales</b>	<b>694,494</b>	<b>726,425</b>	<b>760,526</b>	<b>793,683</b>	<b>826,256</b>	<b>859,805</b>
Individual Income	928,968	979,510	1,032,847	1,057,948	1,056,366	1,050,498
Corporation Franchise	156,777	147,284	154,261	158,135	162,333	166,582
U. B. Franchise	81,707	80,900	82,020	85,302	88,700	92,300
<b>Total Income</b>	<b>1,167,452</b>	<b>1,207,694</b>	<b>1,269,128</b>	<b>1,301,385</b>	<b>1,307,399</b>	<b>1,309,380</b>
Public Utility	166,743	167,544	168,365	169,212	170,084	170,982
Toll Telecommunication	53,324	53,591	55,198	57,406	59,703	62,091
Insurance Premiums	41,281	44,500	44,500	44,500	44,500	44,500
<b>Total Gross Receipts</b>	<b>261,348</b>	<b>265,635</b>	<b>268,063</b>	<b>271,118</b>	<b>274,287</b>	<b>277,573</b>
Estate	29,944	33,172	32,921	33,667	34,411	35,151
Deed Recordation (net)	134,262	120,124	126,130	136,737	145,051	153,972
Deed Transfer (net)	99,052	95,548	103,259	110,911	118,917	126,791
Economic Interests	4,934	15,782	4,595	4,595	4,596	4,596
<b>Total Other Taxes</b>	<b>268,192</b>	<b>264,626</b>	<b>266,905</b>	<b>285,910</b>	<b>302,975</b>	<b>320,510</b>
<b>TOTAL TAXES</b>	<b>3,293,374</b>	<b>3,441,217</b>	<b>3,628,730</b>	<b>3,822,365</b>	<b>3,978,086</b>	<b>4,122,775</b>
Licenses & Permits	59,761	62,075	64,952	63,180	65,717	63,980
Fines & Forfeits	88,455	86,299	86,896	85,502	85,116	84,737
Charges for Services	65,736	50,953	53,006	48,393	50,560	48,347
Miscellaneous Revenue	89,905	87,345	87,593	87,624	88,547	89,226
<b>TOTAL NON-TAX</b>	<b>303,857</b>	<b>286,672</b>	<b>292,447</b>	<b>284,699</b>	<b>289,940</b>	<b>286,290</b>
Lottery/Interfund Transfer	72,000	70,200	71,100	71,100	71,100	71,100
Federal Project Funds	33,000	0	0	0	0	0
<b>TOTAL NON-DEDICATED GENERAL FUND</b>	<b>3,702,231</b>	<b>3,798,089</b>	<b>3,992,277</b>	<b>4,178,164</b>	<b>4,339,126</b>	<b>4,480,165</b>

	FY 2003 actual	FY 2004 revised	FY 2005 original	FY 2006 projected	FY 2007 projected	FY 2008 projected
<b>SPECIAL PURPOSE REVENUE FUND*</b>	<b>164,125</b>	<b>191,943</b>	<b>208,624</b>	<b>212,023</b>	<b>215,152</b>	<b>218,448</b>
<b>TOTAL GENERAL FUND</b>	<b>3,866,356</b>	<b>3,990,032</b>	<b>4,200,901</b>	<b>4,390,187</b>	<b>4,554,278</b>	<b>4,698,613</b>

#### Revenue Enhancements

<b>Tax Revenues:</b>						
Housing Production Trust						
Fund Securitization			20,480	23,702	26,853	29,546
Suspend Tax Parity			-	24,000	77,129	141,000
Re-Start Tax Parity			-	-	-	(24,000)
Health Care Provider Tax (p)			17,950	35,981	35,981	35,981
Close Corporate Tax Loopholes			3,319	3,319	3,319	3,319
Charge Interest on Out-of-State Bonds (p)			6,178	8,259	8,214	8,023
<b>Subtotal, Tax Revenues</b>			<b>47,927</b>	<b>95,261</b>	<b>151,496</b>	<b>193,869</b>

<b>Non-Tax Revenues:</b>						
Registration Fee Increase for Large Vehicles			2,751	2,751	2,751	2,751
Residential Parking Permit (RPP) Fee Increase			1,767	1,767	1,767	1,767
Driver's License: Increase Fee on 5-year License			754	754	754	754
Nuisance Abatement			439	439	439	439
Parking Meters			2,593	2,593	2,593	2,593
Marshall's Reimbursement			4,500	4,500	4,500	4,500
Double Civil Infractions Fines			600	600	600	600
Charge for Housing Code Re-inspections			1,655	1,655	1,655	1,655
New Weights and Measures Fees			367	367	367	367
Additional (6) Photo Radar Cameras (p)			12,838	17,092	17,092	17,092
Additional (10) Red Light Cameras (p)			924	1,662	1,496	1,346
Improve Booting Enforcement (p)			2,414	3,218	3,218	3,218
Parking Officer Upgrade (p)			2,966	3,955	3,955	3,955
Rush Hour Towing Enforcement (p)			1,395	1,860	1,860	1,860
Compliance Efforts, New Compliance Effort (p)			8,366	19,200	19,968	20,767
De-mutualization of Insurance Companies (p)			3,500	-	-	-
<b>Subtotal, Non-Tax Revenues</b>			<b>47,828</b>	<b>62,413</b>	<b>63,015</b>	<b>63,664</b>

	FY 2003 actual	FY 2004 revised	FY 2005 original	FY 2006 projected	FY 2007 projected	FY 2008 projected
<b>Subtotal, General Purpose Revenues</b>			95,755	157,674	214,511	257,533

**Special Purpose Revenue  
(O-Type) Funds:**

Inspection Fee Increases for Large Vehicles			963	963	963	963
Increase E-911 Fee and Transfer Local Expenses**			-	4,824	4,824	4,824
Additional (6) Photo Radar Cameras (p)			850	1,158	1,158	1,158
Housing Production Trust Fund (O-Type Reduction)			(20,480)	(23,702)	(26,853)	(29,546)
Streetlight Maintenance Fee			10,213	10,213	10,213	10,213
<b>Subtotal, Special Purpose Revenue Funds</b>			(8,454)	(6,544)	(9,695)	(12,388)
<b>TOTAL GENERAL FUND REVENUE ENHANCEMENTS</b>			87,301	151,130	204,816	245,145
<b>TOTAL GENERAL FUND WITH REVENUE ENHANCEMENTS</b>	3,866,356	3,990,032	4,288,202	4,541,317	4,759,094	4,943,758

\* Revised Special Purpose Revenue estimates for FY 2004 will be certified separately as part of a supplemental budget.

\*\* The E-911 Increase will go into effect for FY 2006.

(p) Revenues and costs for this enhancement assume partial year revenue and partial year implementation costs. The provider tax is assumed to have a half-year implementation. The other funds are assumed to have a three-quarter year implementation

**TAX POLICY CHANGES  
IMPLEMENTED IN THE  
FORECAST PERIOD**

<b>Tax Parity</b>	0	0	0	(24,000)	(77,129)	(141,000)
<b>Transfer to Housing Production Trust Fund</b>	(5,000)	(38,059)	(40,480)	(43,702)	(46,583)	(49,546)
<b>Property Tax Cap</b>	0	(27,585)	(31,029)	(26,154)	(21,279)	(9,316)
<b>Neighborhood Investment Act</b>	0	0	(10,000)	(10,000)	(10,000)	(10,000)
<b>TOTAL POLICY CHANGES</b>	(5,000)	(65,644)	(81,509)	(103,856)	(154,991)	(209,862)

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## Property Taxes

### Real Property Tax

The District taxes real property based on 100 percent of assessed value and bills taxpayers twice annually like many other jurisdictions throughout the United States. But the District's real property tax system differs from that of other jurisdictions in two important ways. First, the District's system divides properties into three separate tax classes depending on the use of the real property. Each class is taxed at a different rate. And second, the District has an extraordinarily large proportion of real property that is exempt from paying the District's real property tax—amounting to roughly 38 percent by total assessed value. Tax-exempt properties primarily include those owned by the federal government as well as properties owned by foreign governments, non-profit organizations, educational institutions, the District government, and others.

Since 1999, a number of important legislative and administrative changes have affected the District's real property tax.

### Real Property Tax Assessments Triennial to Annual Assessment

In FY 1999 through 2001, the District operated under a triennial assessment system. Properties in the District were divided into three assessment groups called triennial groups (or tri-groups), each tri-group representing approximately a third of the total value of taxable real property in the District. Under the triennial assessment system, annual decreases in assessed value were immediately realized while annual increases in assessed value were phased in over a three-year period. This reduced the volatility of year-to-year growth rates by significantly restraining year-to-year assessment increases.

In FY 2002, the District began its transition back to an annual assessment system. During this transition, one triennial group shifted back into annual assessment each year for years 2002 to 2004. FY 2004 will be the first year all real property in the District will, once again, be assessed on an annual basis. The return to annual assessments will produce annual assessed values and growth rates that are more representative of their market values.

The transition back to annual assessments in combination with the strong annual growth rates in assessments of the District's real property market has resulted in many properties seeing a greater than 30 percent increase in assessed value. The Mayor and the Council responded to the dramatic increases in real property assessments by enacting the Owner-Occupant Residential Tax Credit Act of 2001. This legislation stipulated that District homeowners will pay no property tax on the assessment increase above 25 percent of the prior year's assessment.

However, large annual percentage increase in assessments for District residential properties continued for the subsequent two years. In response, the Council enacted the Owner-Occupant Residential Tax Credit and Homestead Deduction Clarification Emergency Act of 2004. This legislation stipulates that District homeowners will pay no property tax on the assessment increase above 12 percent of the prior year's assessment. The legislation also increases the annual homestead deduction by \$8,000 to \$38,000.

These two pieces of District legislation lower the tax liability of homestead property owners whose property assessments experience annual growth in excess of the effective tax caps. The legislation does not limit the assessed value determined by the Office of Tax and Revenue.

### Real Property Tax Base

The value of all real property in the District grew 9.9 percent from \$85.3 billion in 2002 to \$93.8 billion in 2003. The total value of all exempt properties amounted to \$35.7 billion, 38.1 percent of all property in the District. The total value of all taxable commercial properties amounted to \$29.7 billion or 31.6 percent of all property in the District. The total value of all residential properties amounted to \$28.4 billion or 30.3 percent of all property in the District.

In 2003, the total value of all exempt property grew 8.9 percent, taxable commercial grew 7.5 percent, and taxable residential properties grew 14.0 percent from their levels in 2002. With only 61.9 percent of the value of all real property in the District being taxable in 2003, the commercial sector accounted for 51.1 percent of the

Table 4-9

**Real Property Tax Classes and Rates (Effective for FY 2003)**

<b>Real Property Tax Class</b>	<b>Tax Rate</b>	<b>Total Value</b>	<b>Percent of Total Value</b>
Class 1 (Residential)	\$0.96 per \$100 of assessed value	\$28.4 B	30.3%
Class 2 (Commercial/Other)	\$1.85 per \$100 of assessed value	\$29.7 B	31.6%
Class 3 (Vacant/Abandoned)	\$5.00 per \$100 of assessed value	0	0
Tax-Exempt	\$0	\$35.7 B	38.1%

2003 tax base, down from 52.6 percent in 2002, and the residential sector accounted for 48.9 percent of the 2003 tax base, up from 47.4 percent in 2002. In FY 2003, the District's total taxable real property had an assessed value of \$58.1 billion.

**Real Property Tax Rates**

The Tax Parity Act of 1999 has greatly simplified the District's real property tax by reducing the number of real property tax classifications from five in FY 1999 to two in FY 2002. Beginning in FY 2002, real property tax Class 1 was comprised of owner-occupied and renter-occupied real property. Properties with a Class 1 designation were taxed at a rate of \$0.96 per \$100 in assessed value. Class 2 was comprised of commercial, transient residential and other property types. Properties with the Class 2 designation were taxed at a rate of \$1.85 per \$100 in assessed value.

In an effort to encourage the development of more than 3,000 abandoned and blighted properties around the city, the Real Property Tax Revision Amendment Act of 2002 established a new Class 3 for vacant and abandoned property. This new Class 3 is essentially the former Class 5 of FY 1999 and years prior. Unlike the former Class 5, however, the new Class 3 requires the registration of vacant properties and establishes maintenance standards. It also requires nonresident owners of vacant and abandoned properties to appoint a District resident or incorporated organization to serve as custodian. These measures are intended to prevent the proliferation of such properties. Additionally, the legislation provides a host of exemptions - 15 for residential

property and 16 for commercial property - for buildings that are, for example, under construction, for sale, or have been damaged by flood or fire.

**Real Property Revenue**

In FY 2003, collections under the real property tax constituted 23 percent of General Fund revenue, making the real property tax the second largest source of General Fund revenue after the individual income tax. In FY 2004, real property tax revenue collections are expected to comprise 24 percent of General Fund revenue. Real property tax revenue increased by 13 percent in FY 2003 over the prior year, and FY 2004 revenue is expected to increase 9 percent over FY 2003. These relatively high growth rates are the direct result of a robust District real property market and the gradual return to an annual assessment system.

Once all real property in the District has fully adjusted to annual assessments in FY 2007, real property tax collections are expected to grow at a more modest rate of 5 to 8 percent. This rate reflects the historical average growth in the value of the District's real property.

In addition to the recent important legislative and administrative changes to the District's real property tax, a significant number of developments in the marketplace have contributed to the District's real estate market success. With respect to real property tax revenue, the District's real property market is primarily comprised of two sectors: commercial office real estate and residential. The District's commercial office market, which accounts for more than 60 percent of real property tax collections, had a vacancy rate of 5.6



percent in the fourth quarter of CY 2003, among the lowest in the nation. For the second year in a row, the Association of Foreign Investors in Real Estate (AFIRE) ranked the District as the best city for commercial real estate investment for 2003 not only in the nation, but also the world (followed by London, Paris, New York and Los Angeles).

On the residential side, there has also been a continued strong demand for high-quality residential real property in the District. This high level of demand has contributed to the double-digit growth rates in annual assessments and has prompted a significant level of new residential construction, rehabilitation and renovations. The Fannie Mae Foundation 2003 report, *Housing in the Nation's Capital*, states that, "within the District of Columbia, recent construction has been relatively dispersed, with neighborhoods east of the Anacostia River, downtown, and in Northwest D.C. seeing the greatest construction activity. The housing produced downtown, in much of Northwest D.C. , and in Capitol Hill consists primarily of market rate, unsubsidized units and is likely to be new construction, adding to the supply of high-end housing and demonstrating increasing interest in city living among middle- and upper-income households."

This view is reflected in the composition of District housing sales in 2003. For example, in 2003 there was a 4 percent increase in single-family homes sold compared to the prior year. However, for single-family homes valued above \$300,000, there was a 24 percent increase compared to the prior year. In the condominium and cooperative subsector of residential home sales, the growth rates were even more pronounced. In 2003 there was a 12 percent increase in condominium homes sold and, for condominiums valued above \$300,000, there was a 42 percent increase.

While the rate at which new homes are being built in the District may be lower than in recent years, the level remains high. The U.S. Census Bureau reports that in the 4th quarter of 2003, there were more than 1,400 permits issued to build new housing units in the District. Furthermore, Delta Associates reports that as of December 2003 there were currently more than

3,000 condominiums and more than 3,400 apartments under construction in the District of Columbia, and approximately 1,800 new condominiums and more than 4,600 apartment units are likely to be built before 2006.

New residential construction totals may not represent a net increase in the District's total housing stock. Due to the absence of comprehensive housing stock data, it is difficult to conclude that the District's housing stock has experienced sustained annual growth in recent years. There is an absence of reliable annual data for the total number of housing units demolished in the city. This precludes a more definite assessment of the city's housing stock. According to the 2003 report of the Fannie Mae Foundation, "projects that demolish and replace units are listed as new construction". Furthermore, while the Office of Tax and Revenue (OTR) has a full accounting of the number of residential properties in the city, OTR does not have a full accounting of the total number of apartment units in the city. For example, in many cases, apartment buildings are considered one residential property for tax purposes.

In the case of District housing, the median price for new home sales (as well as a majority of residential annual assessments) has continuously risen, suggesting that the market is not overbuilt. And even though the rate of annual increases is declining, the rates, nevertheless, remained in double-digits for 2003 and the first few months of 2004. For example, the median sales price for both a single family home and condominium grew 26 and 22 percent, respectively, in 2002 over 2001. In 2003, the median sales price for both a single family home and a condominium grew 17 percent for both types of residential units. The 2003 Fannie Mae Foundation report, *Housing in the Nation's Capital*, attributes the apparent need for better quality housing to the contention that the growth in housing units has not kept pace with the growth in population and expanding city employment in the past several years. The report also states that in comparison to all counties in the Washington Metropolitan region, the District has the oldest housing stock with a median year built of 1949.

### Debt Service

Each year the District dedicates a percentage of its real property tax collections to pay off the principal and interest on its General Obligation Bonds. For FY 2004, the percentage of real property tax collections dedicated to the repayment of principal and interest on the District's General Obligation Bonds is 45 percent.

### Personal Property Tax

The District's personal property tax is levied on the depreciated value of all tangible personal property used in a trade or business, including computers, vehicles, plant and equipment but excluding inventories held for sale. The strength of the District's economy in recent years has resulted in greater investment in personal property used for commercial purposes. However, growth in personal property tax collections was offset by the Tax Parity Act of 1999, which exempts the first \$50,000 of a company's personal property tax base from taxation and increases the rate at which certain property can be depreciated. Although the Act reduced personal property tax revenues, it has made the District more competitive with surrounding jurisdictions by accelerating the depreciation of computer equipment.

The impact of this legislation first affected annual personal property revenues in 2000, when revenue decreased \$3.8 million from the prior year. And in conjunction with the national economic slowdown that began in 2001, annual personal property revenues decreased an additional \$6.0 million in 2001. However, beginning

in 2002, annual personal property revenue began to show modest annual growth. In FY 2003, revenue grew 3.2 percent to \$67.3 million and is expected to grow an additional 3.6 percent to \$69.7 million in 2004.

In 2004, District legislation created a Neighborhood Investment Fund and a Neighborhood Investment Program which dedicates \$10 million annually from the personal property tax revenue to pay for a variety of community revitalization development purposes, including commercial, residential, and civic uses for nine priority neighborhoods.

### Public Space Rental

There are three categories of public space rentals: sidewalks/surfaces, vaults and fuel tanks. Public space rental of sidewalks/surfaces includes enclosed cafes, unenclosed cafes, and merchandise display areas (including used car lots). Vaults are underground areas that extend wider than an owner's property to spaces beneath the surface of public real property. For public space rental purposes, fuel oil tanks are areas used for tanks that hold heating fuel.

In FY 2001, total public space rental tax collection amounted to \$10.1 million. In FY 2002, collections increased 20.4 percent to \$12.2 million. This large increase in public space rental collections was the result of an enforcement initiative conducted in FY 2002 by the Office of the Deputy Mayor for Planning and Economic Development together with the District Department of Transportation as part of the Street Café Compliance Program. Prior to this

Table 4-10

### Property Tax Revenue, Fiscal Years 2003-2008

(\$ thousands)

	FY 2003 actual	FY 2004 revised	FY 2005 original	FY 2006 projected	FY 2007 projected	FY 2008 projected
Real Property	822,845	895,270	993,951	1,099,408	1,194,848	1,281,474
Personal Property (net)	67,294	69,733	58,107	58,590	59,826	61,309
Public Space	11,749	11,834	12,050	12,271	12,495	12,724
<b>Total Property Taxes</b>	<b>901,888</b>	<b>976,837</b>	<b>1,064,108</b>	<b>1,170,269</b>	<b>1,267,169</b>	<b>1,355,507</b>

initiative, a significant number of District cafés were occupying more public space than allowed and/or using public space without permits and without paying rent to the District Government. This noncompliance was jeopardizing safe passable sidewalks near cafés in the city's most popular café districts. The program resulted in numerous District cafés paying past due taxes, fines and penalties because of previous noncompliance with District law. However, after the one-time spike in collections in 2002, revenues decreased by 3.4 percent to \$11.7 million in 2003. Collections from public space rentals are expected to grow less than two percent per annum for the next several years.

## Sales and Excise Taxes

### General Sales and Use Tax

Revenue from the District's sales and use tax is collected using a five-tier structure. Sales of tangible personal property and certain specified services are taxed at 5.75 percent. Sales of alcoholic beverages for consumption outside the premises are taxed at 9 percent (increased January 1, 2003 from 8 percent). Sales of food and drink for immediate consumption, the rental or leasing of motor vehicles and sales of prepaid phone cards are taxed at 10 percent (with one percent supporting the Convention Center Authority). Parking and storing of vehicles are taxed at 12 percent. Transient accommodations are taxed at 14.5 percent (with 4.45 percent supporting the Convention Center Authority).

From a policy perspective, the multiplicity of rates achieves many goals, including revenue generation from visitors to the District and support for the hospitality industry via the convention

center. Administratively, the multiplicity of rates, with special exemptions provided in each category, complicates the administration of the tax for the Office of Tax and Revenue and adds to compliance costs for businesses such as hotels and food stores, where transactions may involve several tax categories.

Revenue collected under the sales and use tax in FY 2003 was \$631 million, net of the convention center transfer of \$59 million. For FY 2003, sales and use tax collections were the third largest source of District General Fund revenue, comprising 18 percent of total local-source revenue. The sales and use tax applies to businesses on their purchases of supplies and equipment as well as to a wide range of ordinary consumer purchases.

Revenue from the general sales tax grew strongly in the late 1990s. The average growth rate for FY 1998 through FY 2000 was above 5 percent. In FY 2001, growth slowed to about 3 percent, reflecting the general economic slowdown nationally and in the District. In FY 2002, sales tax revenue declined by 3 percent. The decline in FY 2002 was attributed to the District's hospitality industry suffering considerably because of the events of September 11. FY 2003 saw a modest recovery from the events of September 11; the annual sales and use tax revenue grew by 3 percent. Collections from sales and use taxes increased by \$5 million or 3.2 percent in the first quarter of FY 2003 compared to the same period in FY 2002. In the second quarter of FY 2003, the growth compared to the previous year was also \$5 million or 2.9 percent. The growth was largely due to a pick up in the retail industry during the first two quarters of FY 2003. The war in Iraq, SARS and the fear of potential

Table 4-11

### General Sales and Use Tax Revenue, Fiscal Years 2003-2008

(\$ thousands)

	FY 2003 actual	FY 2004 revised	FY 2005 original	FY 2006 projected	FY 2007 projected	FY 2008 projected
General Sales and Use	631,465	661,132	692,859	723,528	753,495	784,312

Table 4-12

**Sales Tax Forecast for the Convention Center Fund, Fiscal Years 2004-2008**

(\$ thousands)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Restaurant Sales Tax	18,632	19,526	20,390	21,235	22,105
Hotel Sales Tax	43,475	45,561	47,578	49,548	51,575
<b>Total</b>	<b>62,107</b>	<b>65,087</b>	<b>67,968</b>	<b>70,783</b>	<b>73,678</b>

terrorist attacks hit the hospitality industry hard during the third quarter of FY 2003, sales revenue growth rates declined by 1.3 percent. Sales revenue grew again by 3 percent in the last quarter of FY 2003. The opening of the new Convention Center and a general recovery in the hospitality sector contributed largely to FY 2003 fourth quarter growth in sales tax revenue.

**Convention Center Transfer**

After recovering from the FY 2002 drop, the convention center transfer grew by approximately 4.6 million or 8.5 percent in FY 2003 over FY 2002. Growth in the convention center transfer was spurred in part by the June 2003 opening of the Washington Convention Center. Revenue from sales and use tax collections were in full recovery by the first quarter of FY 2003 and continued to recover during the second quarter of FY 2003. In the third quarter, the convention center transfer dropped by 3.5 percent compared to FY 2002. The concern over potential terrorist attacks, the war in Iraq and the SARS outbreak caused the drop in the convention center transfer. The convention center opening caused the hospitality industry to experience a healthy rebound from the drop in the third quarter. By the end of FY 2003, convention center transfer revenues for the fourth quarter grew by 11.4 percent compared to FY 2002 fourth quarter numbers.

**FY 2004 to FY 2008**

General sales tax revenues are expected to grow at approximately 4.5 percent per year, in line with the growth of personal income. In FY 2004, growth of sales tax revenues is expected to peak

over the five-year forecast by 5.8 percent. Personal income is also expected to peak in FY 2004 by 3.9 percent. The growth rates in both sales tax revenue and personal income will slowly decline for the out years. We are expecting continuous positive growth from the hospitality industry, which will contribute to increases in the sales tax revenue for the District of the next five years.

**Selective Sales and Use Taxes**

In addition to the multi-rate general sales and use tax, the District imposes excise taxes on alcoholic beverages, cigarettes, motor vehicles, and motor fuel. The motor fuel tax is deposited directly to a special account (the Highway Trust Fund) to match federal funds for the construction, repair and management of eligible District roadways. As a result, motor fuel tax revenue is not considered part of the General Fund for budgetary purposes.

**Alcoholic Beverage Tax**

The alcoholic beverage tax is levied on wholesale sales of beer, wine, and liquor in the District. The tax rates vary by type of product. Alcohol consumption has been declining in the United States since 1990, a trend reflected in the District's tax collections for alcoholic beverages. Alcohol tax collections are expected to decrease moderately throughout the FY 2004 through FY 2008 projection period. According to statistics from the National Institute on Alcohol Abuse and Alcoholism, beer and liquor comprise the major share of alcohol consumed in the District. Between 1995 and 1999, annual per capita beer consumption in the District declined 5.4 percent,

and annual per capita liquor consumption declined 7.5 percent. Annual per capita wine consumption, by contrast, increased 6.3 percent over the same period. The growing popularity of wine consumption in the District is expected to somewhat offset the decreased demand for beer and liquor in FY 2004. Although the number of tourists and business travelers continues to rise to pre-September 11 levels, alcohol consumption is expected to be lower in FY 2004 than in previous years.

### Cigarette Tax

The cigarette tax is levied on the sale or possession of all cigarettes in the District with the exception of sales to the military and Congress. Cigarette consumption has been declining in recent years due to factors such as higher wholesale prices (related to the settlement between tobacco companies and the states), higher state taxes, and greater awareness of health risks. Effective January 2003, the cigarette tax rate increased to \$1.00 per pack, up from the previous rate of \$0.65 per pack. This rate increased FY 2003 revenues by \$4.2 million. Since the FY 2003 revenues captured the rate increase only for three quarters, overall FY 2004 revenue is forecasted to have a modest increase from last year's tax rate hike. By the end of FY 2004, revenues are expected to increase to \$21.9 million compared to FY 2003's \$21.3 million in revenue collections.

### Motor Vehicle Excise Tax

The motor vehicle excise tax is imposed on the issuance of every original and subsequent certificate of title on motor vehicles and trailers. The

tax is 6 percent of fair market value for vehicles 3,499 pounds or less and 7 percent of fair market value for vehicles 3,500 pounds and over. Collections from motor vehicle excise taxes totaled \$37 million in FY 2003, a 7.2 percent increase in collections from FY 2002. This tax is largely dependent on car purchases by District residents. Soaring car sales in previous fiscal years gave way to the fall-out from a slow economy following September 11. Automakers attempted to curtail this decline in FY 2002 by incentives such as zero percent financing and cash rebates. During FY 2003 many automakers still offered low interest rate financing. During FY 2003, auto sales seemed to be recovering from September 11 levels. By the third quarter of FY 2003, sales grew by 46.4 percent from third quarter of FY 2002 and by 1.2 percent from the third quarter of FY 2001. According to the National Automobile Dealers Association, car sales are expected to increase in FY 2004. The District's Department of Motor Vehicles (DMV) has reported that there have been improvements in the administration of imposing the excise tax on all newly titled vehicles. The Department has programmed computers to ensure the application of the correct excise tax rate on a more consistent method of Fair Market Valuation. Hence, excise tax collections are estimated to increase 5 percent in FY 2004 compared to FY 2003 collections and are projected to increase by an average of 5 percent thereafter.

Table 4-13

## Selective Sales and Excise Tax Revenue, Fiscal Years 2003-2008

(\$ thousands)

	FY 2003 actual	FY 2004 revised	FY 2005 original	FY 2006 projected	FY 2007 projected	FY 2008 projected
Alcoholic Beverages	4,619	4,495	4,374	4,257	4,142	4,031
Cigarette	21,344	21,884	22,438	23,006	23,588	24,185
Motor Vehicle Excise	37,066	38,914	40,855	42,892	45,031	47,277
<b>Total Selective Sales and Excise (1)</b>	<b>63,029</b>	<b>65,293</b>	<b>67,667</b>	<b>70,155</b>	<b>72,762</b>	<b>75,493</b>

(1) Excludes motor fuel tax because it is not a General Fund revenue source.

Table 4-14

**Income Tax Revenue, Fiscal Years 2003-2008**

(\$ thousands)

	FY 2003 actual	FY 2004 revised	FY 2005 original	FY 2006 projected	FY 2007 projected	FY 2008 projected
Individual Income	928,968	979,510	1,032,847	1,057,948	1,056,366	1,050,498
Corporation Franchise	156,777	147,284	154,261	158,135	162,333	166,582
U. B. Franchise	81,707	80,900	82,020	85,302	88,700	92,300
<b>Total Income</b>	<b>1,167,452</b>	<b>1,207,694</b>	<b>1,269,128</b>	<b>1,301,385</b>	<b>1,307,399</b>	<b>1,309,380</b>

Table 4-15

**Individual Income Tax Rates, Tax Years 2005-2008**

Net Taxable Income	2005	2006	2007	2008
\$0 - \$10,000	5.0%	5.0%	4.5%	4.0%
\$10,001 - \$30,000	7.5%	7.5%	7.0%	6.0%
\$30,001 - \$40,000	9.3%	9.0%	8.7%	6.0%
\$40,000 and above	9.3%	9.0%	8.7%	8.5%

**Income Taxes**

The individual income, the corporate franchise and the unincorporated business franchise taxes are significant sources of District tax revenue. Collectively, these taxes represent 32 percent of FY 2003 local source revenue. Revenue from these sources is summarized in Table 4-14.

**Individual Income Tax****Base and Rate**

The individual income tax, the District's largest single source of tax revenue, accounted for 26 percent of Total Local Source Revenue in FY 2003. The tax is levied on all individuals who maintain a permanent residence in the District at any time during the tax year and on those who maintain a residence for a total of 183 or more days. Individuals exempt from the District's personal income tax include: elected officers of the federal government; presidential appointees subject to confirmation by the U.S. Senate; justices of the United States Supreme Court not domiciled in the District; employees on legislative staffs who are bona fide residents of the state of

their elected officer; and all persons working in the District but living outside the District. The tax is currently applied progressively to net taxable income as shown in Table 4-15.

These rates reflect the tax cuts under the revised Tax Parity Act of 1999, restarting in FY 2006. Originally, the Tax Parity Act of 1999 sought to reduce tax rates in the District of Columbia starting in FY 2000 and was to be fully implemented in FY 2004.

For the Tax Parity Act of 1999 not to go into effect, it must encounter at least one of three key triggers. The first trigger states that the accumulated general fund balance for the immediately preceding fiscal year is 5 percent of the general fund-operating budget for the current fiscal year. The second trigger is that the estimated national economic growth rates published in the CBO's winter report must exceed 3.5 percent on a nominal basis and 1.7 percent on a real basis. The third trigger is that the Mayor demonstrates, and the Chief Financial Officer certifies, that a proposed budget will not be balanced over the four year planning horizon of the financial plan. The first two triggers to stop Tax Parity in FY 2005 did not occur. But continued tight budget con-

Table 4-16

**Quarterly Percentage Growth in S&P 500**

FY	% Change in S&P 500
2003.1	-3.6%
2003.2	-12.2%
2003.3	36.3%
2003.4	26.7%

Source: Estimated by the D.C. Office of Revenue Analysis

Note: Percentage changes are quarter to quarter changes, seasonally adjusted at annual rates.

Table 4-17

**Projected Growth in DC Resident Earnings and S&P 500, Fiscal Years 2002-2008**

FY (Fiscal Year)	% Change in Earnings of DC Residents	% Change in S&P 500
2002	5.1%	-16.0%
2003	5.5%	-12.5%
2004	5.6%	17.6%
2005	4.5%	6.7%
2006	4.3%	6.4%
2007	4.4%	6.4%
2008	4.4%	6.4%

Source: Estimated by the D.C. Office of Revenue Analysis

ditions mean that the financial plan is unbalanced in the out years, therefore the third key trigger is satisfied. Based on the activation of the third trigger, Tax Parity will not go into effect in FY 2005.

**FY 2003**

In FY 2003, individual income tax revenue fell by 2 percent. Despite the decline, it was a major turnaround from a 14 percent decline in FY 2002. In FY 2003, withholding collections grew 2 percent over the prior year. This reflected the growth in earnings of D.C. residents, which increased by 6 percent over the prior year. After the first quarter of FY 2003, payments and declarations over the last three-quarters improved. This was due primarily to the stock market rebounding in 2003 as evidenced by the S&P 500, which grew in FY 2003 by 36.3 percent in the third quarter, and 26.7 percent in the fourth quarter.

**FY 2004-FY 2008**

Predicting turning points in economic activity is notoriously difficult. But based on our growth for the S&P 500 and the earning of D.C. residents, we believe that in FY 2004 individual income tax revenue will return to positive growth. In FY 2004, the District expects revenues of approximately \$979 million from the individual income tax, a 5.4 percent growth from the FY 2003 base. For the period FY 2005 to 2008, we are estimating growth of about 5 percent in baseline individual income tax revenue.

A substantial part of the District's individual income tax revenue growth in the late 1990s was due to capital gains realizations of an increasing number of residents earning \$75,000 or more. Between 1994 and 1999, the CBO calculates that actual capital gains realizations nearly quadrupled nationally. The District benefited from this growth in capital gains income, as about the same time there was growth in the

Table 4-18

### Capital Gains of High Income District Residents as a Percentage of Total Adjusted Gross Income, Calendar Years 1997-2001

Calendar Year	% of returns over \$75,000	Capital Gains as a % of Total AGI
1997	12%	8%
1998	13%	9%
1999	14%	11%
2000	16%	12%
2001	16%	6%

Source: IRS Statistics of Income 1997 - 2001

Table 4-19

### Actual and Projected Capital Gains

(\$ billions)

Realizations		
Calendar Year	In Billions of Dollar	Percentage Change
1998	455	25
1999	553	22
2000	644	16
2001	349	-46
2002	256	-27
2003	274	7
2004	328	20
2005	363	11
2006	397	9
2007	429	8
2008	531	24

Sources: Congressional Budget Office; Department of Treasury

number of high-income District residents. According to the IRS Statistics of Income, the percentage of total adjusted gross income generated from the capital gains realizations of high-income District residents increased from 8 percent in 1997 to 12 percent in 2000 before falling back to 6 percent in 2001, while the percentage of high-income earners in the District increased from 12 percent in 1997 to 16 percent in 2001. (See Table 4-18) However, according to the CBO, capital gains realizations dropped by 46 percent in calendar year 2001, and by 27 percent in calendar year 2002. By FY 2003 capital gains realizations grew by 7 percent, indicating

stronger growth for FY 2004 revenue numbers. (See Table 4-19)

With the recent growth in stock market returns, revenue growth generated from capital gains realizations is expected to continue this momentum in 2004. Over the long term, taxpayers will continue to have capital gains, but these gains will not be a dependable source of accelerated long-term growth. In its January 2004 report, the CBO projects 20 percent growth in capital gains realizations for calendar years 2004. The CBO projects smaller growth in capital gains realizations through calendar year 2007, as compared to the pre-2001 growth rates.



Given the CBO's growth projections for capital gains realizations, the next few years are likely to bring only moderate growth in the District's individual income tax revenues.

### **Corporate Franchise and Unincorporated Business Franchise Taxes**

The District's franchise tax is imposed on all corporations and unincorporated businesses having nexus in the District of Columbia. The tax liability is determined by multiplying the rate of 9.975 percent (9.5 percent rate plus a surtax of 5 percent of the base rate) by the net taxable business income that is apportioned to the District of Columbia. Business income is apportioned to the District of Columbia based on a three-factor formula - sales, payroll, and property - with each factor weighted equally. When this apportionment formula does not fairly represent the extent of the taxpayer's business activities in the District, that taxpayer may petition for (or the Office of Tax and Revenue may require) consideration of a different formula.

Corporate franchise tax revenue as a share of total local fund revenues has declined as a percentage of total revenues from 5.4 percent in FY 1999 to 4.4 percent in FY 2003. Corporations have increasingly found methods to take deductions lowering their taxable income. As a result, many corporations, regardless of the amount of their gross profits, have only a minimum tax liability. This situation exists nationwide. Some state taxing authorities have attempted to disallow specific types of deductions through the courts (for example: *Geoffrey, Inc. v. South Carolina Tax Commission*). The District watches these cases with interest to learn about legal events and interpretations that may help to improve corporate franchise tax collections.

Corporate franchise tax revenue is a small share of total revenues both because approximately 65 percent of the District's corporate franchise taxpayers pay the minimum tax liability and because the minimum tax liability is \$100. The minimum amount remains unchanged since 1983. Growth rates of net incomes and taxes from them since 1983 are not reflected in minimum tax payments. Over the years, other categories of tax collections have

therefore shown more growth when compared to the growth of corporate franchise tax collections.

Income from unincorporated businesses with annual gross receipts of \$12,000 or less is excluded from the tax base. Also excluded from the tax base is income from nonresident-owned unincorporated businesses that provide professional services (e.g. law firms). For taxable unincorporated businesses, owners are allowed a 30 percent salary allowance along with a \$5,000 exemption. When 80 percent or more of the entity's income is derived from personal services, the unincorporated business income is taxed under the individual income tax.

The Tax Parity Act enacted in 1999 was intended to reduce franchise tax rates from the current effective rate of 9.975 percent to 9.0 percent in FY 2003 and to 8.5 percent in FY 2004 and thereafter. These reductions were suspended in FY 2003 because of budget constraints. Franchise tax rates currently are 9.975 percent.

### **Corporate Franchise**

The District expects to collect approximately \$147.3 million in FY 2004 and \$154.3 million in FY 2005 from the corporate franchise tax. This is a 6 percent decline from FY 2003 and moderate positive growth of approximately 5 percent from FY 2004 to FY 2005. Our estimate is based partly on the strong recovery of the stock market in the latter half of 2003; franchise tax revenues lag the stock market by about a year. We expect the growth in revenue from the corporate franchise tax to be less than the stock market's growth because the relationship between the stock market and corporate franchise tax is not one to one. In FY 2002 and FY 2003, legal rulings and changes to the applicable tax code resulted in larger refunds than expected. As a result, actual collections were less than estimated collections. These events, coupled with the high proportion of filers who pay the minimum tax liability of \$100, are likely to keep revenue from corporate franchise taxes dampened in future years.

### **Unincorporated Business Franchise**

The District expects to collect approximately \$80.9 million in FY 2004 (growth rate of nega-

tive 1 percent) and \$82 million in FY 2005 (a growth rate of approximately 1 percent) from the unincorporated business franchise tax. Collections from this revenue source, which are based on profits from unincorporated businesses located in the District, are linked to factors such as personal income growth, the local commercial real estate sector, and collections in the transfer and recordation taxes.

Many District unincorporated business tax filers who pay taxes on unincorporated business income are real-estate investors. In FY 2003 the real estate market in the District saw real estate investors' profits substantially increase from sales and leases of commercial and residential property. As a result, the strong growth in unincorporated business collections in FY 2003 is largely due to the strong growth in the real estate industry in the last year. Real estate (both commercial and residential) has been strong in the District in FY 2003. Although the industry is expected to remain strong, the growth rate is expected to slow somewhat during the FY 2004 to FY 2008 period.

Private contractors also pay the unincorporated business tax. As a result of increased federal contracting because of Homeland Security projects, we anticipate growth from this sector of unincorporated business filers to be strong. In addition, with an expected rebound in the stock market, we forecast strong growth in collections from unincorporated business in FY 2005 and the following years.

### Gross Receipts Taxes

The District of Columbia imposes a tax of 11 percent on gross receipts of public utilities oper-

ating in the District. The rate was raised in January 2003 from 10 percent to 11 percent. Companies that pay the gross receipts tax include heating oil companies, gas companies, electricity providers, subscription television, video and radio service providers, and telephone companies. The District taxes long distance and wireless telecommunications providers for the privilege of providing toll telecommunication service in the District. Collections from this category of taxes are included in "Toll Telecommunications Tax." The District also taxes insurance premiums at a rate of 1.7 percent of gross premiums. Table 4-20 shows actual revenue in FY 2003, estimates for FY 2004 and FY 2005 and projected revenue from public utilities, toll telecommunications and insurance premiums for fiscal years 2006 through 2008.

### Public Utility Taxes

The public utility tax is imposed on the gross receipts of gas, electric and local telephone companies. Washington Gas and Pepco are the leading suppliers of natural gas and electricity to customers in the Washington area. As a result of electricity deregulation, Pepco has lost some of its market share, but remains the dominant electricity distributor. Between September 2001 and September 2003, Pepco's market share declined from 97 percent to 88 percent. In homes and offices in the District, electricity is used more to cool and natural gas is used more to heat. Cold winters tend to result in an increase in collections from Washington Gas and hot, humid summers tend to result in higher collections from Pepco.

During FY 2003, as part of an effort to avert

Table 4-20

### Gross Receipts Tax Revenue, Fiscal Years 2003-2008

(\$ thousands)

	FY 2003 actual	FY 2004 revised	FY 2005 original	FY 2006 projected	FY 2007 projected	FY 2008 projected
Public Utility	166,743	167,544	168,365	169,212	170,084	170,982
Toll Telecommunication	53,324	53,591	55,198	57,406	59,703	62,091
Insurance Premiums	41,281	44,500	44,500	44,500	44,500	44,500
<b>Total Gross Receipts</b>	<b>261,348</b>	<b>265,635</b>	<b>268,063</b>	<b>271,118</b>	<b>274,287</b>	<b>277,573</b>

a potential budget shortfall, public utility tax rates were increased from 10 percent to 11 percent effective January 1, 2003. The legislation authorizing the rate increase includes a trigger that will restore the 10 percent rate "if the annual revenue estimate forecast in the fourth quarter of a fiscal year exceeds the annual revenue estimate incorporated in the approved financial and budget plan for that fiscal year by at least \$105 million."

In FY 2000, as part of the process of deregulation of the electricity market and Pepco's transformation from an electric power producer to an electric power distribution company, the District replaced the gross receipts tax imposed on electric utilities with a unit tax on electricity distribution companies. This "distribution" tax revenue is included with the city's gross receipts tax collections. The tax is imposed on electricity distributors who operate in the District. The tax rate was \$0.007 per kilowatt-hour. This rate was equivalent to the gross receipts tax at the time of conversion. Effective January 2003, the rate was changed to \$0.0077 per kilowatt-hour. Because of the current tax structure, the tax collected is closely related to energy use. Therefore tax collections from electricity are more closely linked to weather extremes rather than to the fuel cost of the electricity. During the forecast period, we expect average weather patterns.

Fuel costs play a larger role in gross receipts revenues from natural gas use. Fuel costs have been extremely volatile in recent years. Washington Gas attempts to reduce price fluctuations by storing fuel and purchasing financial contracts for future supply of fuel at a specified rate. For example, during the 2003/2004 winter, Washington Gas purchased and stored 35 percent of the natural gas the company expected to deliver during the winter. The company had also purchased an additional 12 percent of its normal winter supply through financial contracts.

Revenue from public utilities taxes is estimated to grow modestly at 0.5 percent for FY 2004 through FY 2008. Revenue is estimated at \$167.5 million in FY 2004 and \$168 million in FY 2005.

### **Toll Telecommunication Taxes**

The toll telecommunications tax is levied on the long distance and wireless telecommunications companies for the privilege of providing toll telecommunication service in the District. In the first quarter of FY 2003, the tax rate was 10 percent. During FY 2003, as part of an effort to avert a potential budget shortfall, public utility tax rates increased from 10 percent to 11 percent effective January 1, 2003. The legislation authorizing the rate increase includes a trigger that will restore the 10 percent rate "if the annual revenue estimate forecast in the fourth quarter of a fiscal year exceeds the annual revenue estimate incorporated in the approved financial and budget plan for that fiscal year by at least \$105 million."

Effective August 2002, the District enacted legislation to conform to the federal Mobile Telecommunications Sourcing Act (MTSA). The legislation simplifies the billing process and ensures that calls from mobile phones are not subject to multiple taxation. The legislation defines and designates a user's place of primary use (PPU) as either the user's residence or business address. The District both lost and gained revenue as a result. Some cell phone users who use their cell phones in the District and thus used to pay D.C. taxes on their long distance calls, selected the District as their PPU and some cell phone users selected other jurisdictions.

The telecommunications industry has faced difficult challenges in recent years. Changes in regulation, over capacity of lines, and stiff competition to long distance providers (such as AT&T, MCI, Sprint) by local telephone companies such as Verizon are among these challenges. Long distance providers are also suffering because of the growth of the wireless telephone industry. Most wireless telephone companies now include inexpensive long-distance calling plans as a standard feature.

We expect the capacity of lines locally to be reduced in the coming years. We also expect the telecommunications sector to recover at a moderate pace. We estimate revenue from the Toll Telecommunications tax to be \$53.6 million for FY 2004, a growth rate of 0.5 percent over FY 2003 and \$55 million in FY 2005, a growth rate of 3 percent over FY 2004. We project growth of

approximately 4 percent for FY 2006 through FY 2008.

### **Insurance Premiums Tax**

The District's insurance premiums tax rate is 1.7 percent of gross premium receipts. Annuities are tax-exempt. The insurance premiums tax is levied on insurance policies taken out by District residents as well as on property that is registered in the District, regardless of where the policies are written or initiated. Approximately 50 percent of the revenue from insurance premiums tax comes from life insurance policies, with other premiums (including business, health, property and motor vehicle) making up the other half. Since September 11 insurance rates have risen nationally. Insurers had begun to either substantially increase the price for terrorism coverage or drop the coverage completely. However, District regulators reached an agreement that would cap premium increases for terrorism coverage at 24 percent.

Insurance costs have also risen in recent years with the declining stock market. Investments that had previously helped offset underwriting losses for many insurance companies have turned into losses themselves. As a result of the increased premium charges and the reduction in insurance investment income, premiums are expected to rise in FY 2004 and then to remain stable for the following years, unless there is another external jolt to the insurance industry. Collections from taxes on insurance premiums are estimated to grow at 7.8 percent over FY 2003 and then to remain stable during the forecast period at \$ 44.5 million in FY 2004 and FY 2005. Collections are projected at the same level through FY 2008.

## **Other Taxes**

### **Deed Recordation and Deed Transfer Taxes**

Prior to FY 2003, the deed recordation and the deed transfer taxes were each calculated as 1.1 percent of the fair market value of every arms-length property sale. Deed recordation tax must also be paid on the increased value when commercial property is refinanced. However, deed taxes were affected by two legislative changes in

FY 2003. The Deed Recordation Tax Amendment Act of 2002 increased both the deed recordation and deed transfer tax rates from 1.1 percent to 1.5 percent, effective January 1, 2003. The amendment excludes owner-occupied properties with a value that does not exceed \$250,000 from the rate increase if the deed is recorded within 30 days of transfer and accompanied by the application for the Homestead Deduction.

The Housing Production Trust Fund Second Amendment Act of 2002 requires that 15 percent of the District's deed recordation and transfer tax revenue be transferred to the Housing Production Trust Fund beginning in FY 2004. The Housing Production Trust Fund provides funds for the acquisition, construction and rehabilitation of affordable multifamily housing projects.

In response to continued strong regional economic activity between 2002 and 2003, collections rose as both the residential and commercial property markets performed at record levels. After normalizing deed tax revenue to adjust for the two tax rates, statistical analysis of the deed tax revenue reveals that there are three component sources of deed tax revenue: the commercial real estate sector, the housing sector and commercial refinancing.

In FY 2002, the commercial real estate sector accounted for 42 percent, the housing sector accounted for 40 percent, and the commercial refinancing sector accounted for 18 percent of total deed tax revenue. In FY 2003, the commercial real estate and housing markets remained strong, but interest rates remained at historically low levels and spurred an enormous amount of commercial refinancing that helped support a record level of commercial office building sales. While deed tax revenue from commercial refinancing was 15 percent higher in 2003 than 2002, deed tax revenue from commercial property sales was 42 percent higher in 2003 than 2002. Consequently, in 2003 the commercial real estate sector accounted for 47 percent, the housing sector accounted for 37 percent, and the commercial refinancing sector accounted for 16 percent of total deed tax revenue.

Refinancing activity is measured by the dif-

ference between the deed recordation and deed transfer taxes.

In FY 2004, the District appears likely to retain its designation as the top commercial real estate market in the nation. That is because the District has a stable and growing office tenant base comprised of the federal government, the legal sector and large associations. This tenant base has significantly insulated the city from net annual decreases in commercial office space demand and commercial real estate investment demand in recent years. In contrast, all commercial office markets in the nation (with the exception of New York City) have been beset with net decreases for both the demand for leased commercial office space and the investment demand for sales of commercial real estate over the past few years. This development tends to adversely affect the amount of deed taxes paid for these properties. Although the District's office vacancy rate rose to approximately 5.6 percent, the District's vacancy rate is still low compared to every other major market in the United States.

As the stock market regains its strength with more attractive rates of return, the level of investment in District commercial real estate is likely to subside. But, the growing strength of the stock market is expected to pose only a limited risk to significantly undermining the trend of high investment sales in the District that began in 1998.

In short, while the investment demand for District commercial office buildings is expected to moderate in coming years, the demand nevertheless is expected to remain robust. This is likely to continue to be one of the most significant sources of growth in annual deed tax collections.

Turning to the housing sector, it is estimated that FY 2003 deed revenue from the residential sales sector increased by \$11.0 million or 18 percent, over FY 2002. Typically, the increase in deed tax revenue from the housing sector can come from either the increase in the number of sales and/or increases in property sale values. Not only did sales of single-family homes and condominiums in the District increase by 4 percent and 12 percent, respectively, but the median single-family home and condominium sale price both increased by 17 percent in 2003 over 2002.

Thus, despite the moderation in the rate of growth of housing sales and median prices over the past few years, the District's housing sector continues to grow.

The strong demand for and limited supply of real estate in the District will continue to provide the key impetus for the growth in deed taxes from FY 2004 to FY 2008. This idea is reflected in the value of property sold as a percentage of total taxable property since 1996. In years 2001 to 2003, the percent of the District's property sold, in terms of value, was approximately double that in 1996. These statistics further support the contention that the District is an attractive, as well as a profitable, place to own real estate and a desirable place to work and live.

### **Economic Interests Tax**

The economic interest transfer tax is triggered by the sale of a controlling interest in a business entity that includes one or two of the following elements: 1) 80% or more of the assets of the entity consist of real property located in the District of Columbia; or 2) more than 50% of the gross receipts of the entity are derived from ownership or disposition of real property in the District. If either of these two elements is present, then the tax rate is 3.0 percent of the consideration. This tax is generally paid by real estate investment trusts and similar partnerships.

Economic interest transfers are normally very large and infrequent. There can be a long period of time leading up to the final payment of the economic interests tax, as corporate lawyers and the Recorder of Deeds determine exemptions and liabilities for the tax. Revenue from the economic interests tax increased from \$1.6 million in FY 2001 to \$5.1 million in FY 2002. But in spite of the Deed Recordation Tax Amendment Act of 2002, which increased the economic interests tax rate from 2.2 percent to 3.0 percent, effective January 1, 2003, FY 2003 economic activity subject to the economic interests tax slowed and amounted to \$4.9 million in tax revenue in FY 2003. However, according to the level of tax collections for the 1st quarter of FY 2004, it appears that the heightened level of activity in the District's real property market is spreading to real property subject to the economic interests

Table 4-21

**Value of Property Sold as a Percentage of Total Taxable Property**

FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
5.28%	7.25%	7.40%	11.47%	9.25%	12.86%	10.77%	9.38%

tax. First quarter 2004 economic interests tax collections exceeded \$6.0 million, and the recent monthly trend of high tax collections is likely to cause total revenue for FY 2004 to exceed \$15 million.

**The Estate Tax**

Prior to 2002, the District of Columbia piggy-backed on the federal estate tax system, using the federal "state death tax credit" as the starting point for the District's estate tax computation. Under this system, District taxpayers received a dollar-for-dollar credit against their federal estate tax payments for any estate tax due to the District of Columbia. District estate taxes, therefore, imposed no additional burden on decedent estates and did not increase the total estate tax payment beyond what would have been paid under federal law. This revenue-sharing approach provided for a system of uniformity across all states and the District of Columbia in the collection of death taxes. It resulted in minimal estate tax administration on the part of District and minimized the impacts of "death shopping" to reduce estate taxes at death.

The federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 changed this situation. This legislation gradually eliminates the federal estate tax over the next several years, with full repeal taking effect in year 2010. Effective January 1, 2002, the EGTRRA legislation:

- Lowers tax rates for the largest estates;
- Raises the exemption level from \$650,000 to \$1 million in 2002, \$1.5 million in 2004, \$2 million in 2006, and \$3.5 million in 2009; and
- Lowers the state credit from 16 percent to 12 percent in 2002, 8 percent in 2003, and 4 percent in 2004. In 2005, the credit will be eliminated.

Existing District law, however, stipulates that the amount due to the District is the maximum credit for state death taxes allowed under Internal Revenue Code §2011, as it existed on January 1, 1986. This means that existing District estate tax laws are automatically decoupled from recent and forthcoming federal estate tax law changes. For example, while the federal threshold was \$1 million, the District Inheritance and Estate Tax Act of 2002 raised the District's filing threshold from \$600,000 to \$675,000, effective January 1, 2002. However, the Estate and Inheritance Tax Clarification Temporary Act of 2004 raised the estate tax filing threshold from \$675,000 to \$1 million to decedents whose death occurs on or after January 1, 2003, while the federal threshold rises to \$1.5 million in 2004. Hence, some District estate tax payers may be required to file and pay District estate taxes even when no federal filing or tax is due.

In the past, District estate tax payers have relied on federal law when filing estate tax forms and payments. It will take time to educate current and future District estate tax payers about new District estate tax laws and tax forms. Additionally, stepped up administration and compliance efforts by the District in processing and auditing estate tax returns will take some time to get into full swing. So despite record level estate tax revenue in FY 2002, which was primarily the result of an unusually large estate tax payment, estate tax revenue was only \$29.9 million in FY 2003. This significant drop is likely due to the poor performance of the stock market in recent years, in which many estate taxpayers have assets. Revenue is expected to decrease -0.8 percent to \$32.9 million in FY 2005 in response to the most recent District estate legislative change. However, beginning in 2006 annual estate tax revenue is expected to grow approximately two percent per annum until 2008.

## Non-Tax Revenues

### General Purpose Non-Tax Revenue

Total general purpose non-tax collections are estimated to be \$292.4 million in FY 2005. This is \$5.8 million or 2.0 percent more than FY 2004 estimated non-tax revenue collections. Factors contributing to this increase in general purpose non-tax revenue in FY 2005 include the following:

- Collections from business licenses and permits are estimated to be 4.6 percent higher than FY 2004 estimated revenues. This is due to the fact that some insurance licenses are renewed every other year, creating a cyclical trend in annual collections.
- Collections from fines and forfeitures are estimated to be 0.7 percent higher in FY 2005 than in FY 2004 due to a \$680,000 increase in expected photo radar enforcement collections.
- Collections from charges for services are estimated to be 4.0 percent higher in FY 2005 than in FY 2004 due to several Department of Consumer and Regulatory Affairs (DCRA) revenue sources that have two-year license renewal cycles with revenues peaking in the odd years.
- Collections from miscellaneous revenues are estimated to be 0.3 percent higher in FY 2005 than in FY 2004. Interest rates are expected to rise during FY 2005, thereby

causing an increase in interest income collections in FY 2005.

Two non-tax revenue initiatives will continue in FY 2005 from FY 2004. These include:

- A \$2.3 million increase in charges for services revenue from EMS fees.
- A \$1.0 million increase in charges for services revenue due to the Abandoned Vehicle Program that has been converted to general fund revenue from Special Purpose Revenue.

Several new revenue initiatives will be introduced in FY 2005. These include:

- Introduce new vehicle registration fees;
- Increase residential parking permit fees;
- Increase driver's license fees;
- Increase nuisance abatement fees;
- Collapse parking meters zones;
- Marshall's per diem to general fund;
- Double civil infraction fines;
- Charge for housing code re-inspections;
- Establish annual weights and measures device registration and inspection fee;
- Increase the number of photo radar cameras;
- Increase the number of red light cameras;
- Expand booting capacity;
- Enhance parking officer's salaries;
- Expand towing capacity;
- Implement new compliance efforts;
- Demutualization of insurance companies.

Table 4-22

### Other Tax Revenue, Fiscal Years 2003-2008

(\$ thousands)

	FY 2003 actual	FY 2004 revised	FY 2005 original	FY 2006 projected	FY 2007 projected	FY 2008 projected
Deed Recordation (Baseline)	134,262	144,662	152,141	166,235	177,819	190,393
Deed Recordation (to HPTF)		(24,538)	(26,011)	(29,498)	(32,768)	(36,421)
Net Deed Recordation to General Fund	134,262	120,124	126,130	136,737	145,051	153,972
Deed Transfer (Baseline)	99,052	113,005	122,649	132,320	141,872	151,955
Deed Transfer (to HPTF)		(17,457)	(19,390)	(21,409)	(22,955)	(25,164)
Net Deed Transfer to General Fund	99,052	95,548	103,259	110,911	118,917	126,791
Economic Interests	4,934	15,782	4,595	4,595	4,596	4,596
Estate	29,944	33,172	32,921	33,667	34,411	35,151
<b>Total Other Taxes</b>	<b>268,192</b>	<b>264,626</b>	<b>266,905</b>	<b>285,910</b>	<b>302,975</b>	<b>320,510</b>

### **Special Purpose (O-Type) Revenue Funds**

Special purpose revenue funds, often times referred to as O-Type or dedicated revenues, are funds generated from fees, fines, assessments, or reimbursements that are dedicated to the District agency that collects the revenues to cover the cost of performing the function. The "dedication" of the revenue to the collecting agency is what distinguishes this revenue from the general-purpose non-tax revenues. The legislation that creates the fee, fine or assessment must stipulate its purpose-designation and must also state whether any unspent funds are to retain designation at the conclusion of the fiscal year or revert to general-purpose funds. Unspent revenue in certain funds cannot revert to general purpose funds. It is the policy of the District government to discourage the allocation of dedicated revenue directly to agencies. Dedicated revenues limit the use of the District's General Fund revenue by earmarking a portion of the revenue for special purposes. Prior to FY 2002 dedicated non-tax revenues were not considered local revenues and as such were reported differently in the CAFR (Comprehensive Annual Financial Report) and reported with the District's federal and private grants in the Financial Plan.

In FY 2005 the District is anticipating \$208.6 million in revenue and use of fund balance of \$109.6 million for a total of \$318.2 million to cover the cost of performing the functions associated with these resources. The use of fund balance is a one-time revenue source and as such is not projected for future years. Table 4-28 shows the special purpose revenue by source.

### **Special Funds and Earmarked Revenues**

District of Columbia revenues include both special funds and earmarking of General Fund revenues.

#### **Special Funds**

The District operates several special funds financed by tax revenues, including the Convention Center Fund and the Highway Trust Fund. These revenues are not available to the General Fund and the Appropriated Budget.

**Convention Center Fund.** Beginning in FY

1999, the formula financing the Convention Center Fund includes only sales tax revenue from hotels, restaurants, rental vehicles, and sales of pre-paid phone cards. Prior to FY 1999, revenues from a 5 percent surtax on franchise taxes and a \$1.50 tax on each hotel room-night were dedicated to the Convention Center Fund. These funding sources were eliminated and replaced by a larger share of the hotel sales tax dedicated to that purpose. The hotel tax rate is 14.5 percent-a 4.45 percent rate dedicated to the Convention Center Fund and a 10.05 percent rate to the District's General Fund. The 10 percent restaurant sales tax is divided so there is a 1 percent rate that dedicated to the Convention Center Fund and a 9 percent rate to the General Fund.

**Motor Fuel Tax.** The motor fuel tax is assessed at \$0.20 per gallon. Motor vehicle fuel tax revenue is deposited directly into a special account, the Highway Trust Fund, and is not General Fund revenue. The Highway Trust Fund uses both local-source and federal matching funds to construct, repair and manage eligible District roads and bridges. Approximately 400 of the 1,020 miles (or 39.2 percent) of streets and highways, as well as 229 bridges in the District, are eligible for federal aid.

The motor fuel tax is levied on fuel wholesalers, and yearly variations in tax collections are primarily a function of fuel consumption. In the past, revenues averaged approximately \$30 million a year. However, FY 2001 to 2003 have experienced modest but continuous annual declines in revenues. The exact causes of the decrease are not clear, but may be related to the slowing national and local economies. With the forecast for the local economy improving, revenues are projected to amount to \$27.9 million in FY 2004. Based on a time series analysis of recent trends in relation to the local economy, fuel tax revenues are forecast to grow approximately 2.0 percent per year beginning in FY 2004. This is generally consistent with U.S. Energy Information Agency forecasts for national gasoline demand. These latter forecasts attribute growth in fuel demand to an accelerating U.S. economy (particularly from the commercial sector) and decreases in the improvement in vehicle fuel efficiency.



Table 4-23

**Highway Trust Fund, Fiscal Years 2003-2008**

(\$ thousands)

	FY 2003 actual	FY 2004 revised	FY 2005 original	FY 2006 projected	FY 2007 projected	FY 2008 projected
Motor Fuel Tax	27,157	27,923	28,490	29,069	29,660	30,262

**Revenue Enhancements**

The FY 2005 budget includes a number of revenue enhancements:

- Introduce new vehicle registration fees;
- Introduce new vehicle inspection fees;
- Increase residential parking permit fees;
- Increase driver's license fees;
- Increase nuisance abatement fees;
- Increase streetlight maintenance fees;
- Collapse parking meters zones;
- Marshall's per diem to general fund;
- Double civil infraction fines;
- Charge for housing code re-inspections;
- Establish annual weights and measures device registration and inspection fee;
- Increase E-911 fee;
- Increase the number of photo radar cameras;
- Increase the number of red light cameras;
- Expand booting capacity;
- Enhance parking officer's salaries;
- Expand towing capacity;
- Implement new compliance efforts;
- Demutualization of insurance companies;
- Housing production trust fund securitization;
- Increase the health care provider tax;
- Close corporate tax loopholes;
- Charge interest on out-of-state bonds.

**Increase Vehicle Registration Fees**

The Department of Motor Vehicles (DMV) will create a new class and fee structure for "for hire" vehicles such as taxis and limousines. DMV will also increase fees for very heavy weight vehicles such as large SUVs, trucks, trailers, etc. Revenue from this new fee structure will result in \$2.8 million in additional revenue to the general fund for FY 2005.

**Increase Vehicle Inspection Fees**

In an effort to keep fees consistent with the effort to complete inspections, the Department of Motor Vehicles (DMV) will create a new fee structure for heavy weight vehicles. Heavy weight vehicles, those 5,000 lbs or more, will be charged a new inspection fee of \$75, while vehicles under 5,000 lbs will pay a new registration fee of \$50. These new fees are expected to generate an additional \$1 million in special purpose revenue for FY 2005.

**Increase Residential Parking Permit Fees**

The Department of Motor Vehicles (DMV) will increase residential parking permit fees from \$15 to \$30 for the first two vehicles owned. A resident owning more than 2 vehicles will pay \$50 for each additional vehicle. This new fee structure is expected to generate an additional \$1.8 million in general fund revenue annually beginning in FY 2005.

**Increase Driver's License Fees**

The Department of Motor Vehicles (DMV) will increase the fee charged on a 5-year license from \$39 to \$45. The DMV will also institute a fee of \$20 for the Road Test. This increase is expected to generate an additional \$0.8 million in general fund revenue annually beginning in FY 2005.

**Increase Nuisance Abatement Fees**

The Department of Public Works (DPW) will increase the fines for nuisance properties. DPW will also harmonize the vastly different fine structures for similar or identical infractions charged by the Departments of Public Work and Health. This fee increase will add \$0.4 million to the general fund annually beginning in FY 2005.

### **Introduce a Streetlight Maintenance Fee**

The introduction of this fee will transfer the cost of maintaining the streetlight system to the many ratepayers - including commercial and the federal government. The fee is estimated to increase the utility costs for residents between \$18-\$50 annually. This new fee is estimated to generate an additional \$10.2 million in special purpose revenue annually beginning in FY 2005.

### **Collapse Parking Meters Zones**

In an effort to simplify rates and align them with surrounding jurisdictions, the Department of Transportation will collapse the District's current 4-tiered zones (Premium Use, High Use, Normal Use, and Low Use) to just 2 tiers-High Use and Low Use. Meters in the "Low" Use zone will cost \$0.50 per hour while meters in the "High" Use zone will cost \$1.00 per hour. This new fee structure is estimated to generate \$2.6 million in additional general fund revenue annually beginning in FY 2005.

### **Marshall's Per Diem to General Fund**

The U.S. Marshall Service reimburses the Department of Corrections according to the number of bed space available at the Correctional Treatment Facility for the housing of felons. Based on the most recent collections data, this source is expected to generate an additional \$4.5 million in revenues annually beginning in FY 2005.

### **Double Civil Infraction Fines**

The Department of Consumer and Regulatory Affairs (DCRA) will double the civil infraction fines from their current levels. It is estimated that \$0.6 million will be generated annually in additional general fund revenue beginning in FY 2005.

### **Charge for Housing Code Re-inspections**

The Department of Consumer and Regulatory Affairs (DCRA) will charge a \$90 fee for the approximately 18,390 housing code re-inspections performed annually by DCRA inspectors. The new fee is expected to add \$1.7 million to the general fund annually beginning in FY 2005.

### **Establish Annual Weights and Measures Device Registration and Inspection Fee**

The statutes governing the Department of Consumer and Regulatory Affairs (DCRA) oversight and citation authority for weights and measures are outdated and the weights and measures fine structure has not been changed in almost 20 years. In FY 2005 DCRA will establish an annual weights and measures device registration and inspection fee. This new fee schedule will generate \$0.4 million in additional general fund revenue annually beginning in FY 2005.

### **Increase E-911 Fee**

This proposal will increase the District's E-911 fee by \$0.30 per line, starting in FY 2006. The fee for landlines and mobile lines would rise from \$0.76 to \$1.06 and the fee for Centrex lines would increase from \$0.62 to \$0.92 per line. This increase will be used to fund E-911 services that are currently being funded with general purpose revenues.

### **Increase the Number of Photo Radar Cameras**

The Metropolitan Police Department (MPD) will increase the number of photo radar cameras in the District by 6, generating an additional \$13.7 million in revenue for FY 2005.

### **Increase the Number of Red Light Cameras**

The Metropolitan Police Department (MPD) will increase the number of red light cameras in the District by 10, generating an additional \$0.9 million in general fund revenue for FY 2005.

### **Expand Booting Capacity**

In an effort to target the vast number of people with outstanding unpaid and overdue tickets that are eligible to be booted, the Department of Public Works (DPW) will increase the number of booting personnel. Five (5) new boot crews will be added to the existing 6 crews for a total of 11 crews. These additional personnel are expected to generate an additional \$2.4 million in general fund revenue for FY 2005.

### **Enhance Parking Officer's Salaries**

In an effort to increase the retention rate for parking control officers, the Department of Public Works (DPW) will increase its salary structure for parking control officers from a DS-5 through 7 career ladder to a DS-7 and DS-9 grade level, and the parking officer supervisors from a DS-10 to a DS-11 grade level. As a result, DPW expects the turnover rate to decrease by 25 percent; improved parking enforcement is expected to generate \$3.0 million in additional revenue to the general fund.

### **Expand Towing Capacity**

In order to expand the towing capacity needed to keep up with the demand to tow the vast number of boot-eligible, illegally parked, and abandoned vehicles, the Department of Public Works (DPW) will increase the number of tow crane operators and support staff. In doing so DPW will be able to expand towing coverage hours and allow for greater enforcement of the District's parking regulations. Revenue generated from this expanded capacity will add \$1.4 million to the general fund for FY 2005.

### **Implement New Compliance Efforts**

This proposal increases resources to the audit and collection functions of the Office of Tax and Revenue by 45 FTEs. It is estimated that the improved audit and collection activities will generate \$8.4 million in additional revenue in FY 2005.

### **Demutualization of Insurance Companies**

Under current law an insurance company can hold abandoned proceeds for three years after the company converts from a mutual company to a stock company. Each policyholder has an ownership interest in the mutual company and, therefore is entitled to a share of the proceeds from the demutualization. Under the proposal the unclaimed distributions from the demutualization is deemed abandoned one year after the date the assets can be made payable, allowing "lost" insurance policyholders and heirs of policyholders to be located faster by the District's Unclaimed Property Division. In addition, it would expedite the receipt of unclaimed pro-

ceeds by the District's general fund, bringing in an additional \$3.5 million in general fund revenue for FY 2005.

### **Housing Production Trust Fund Securitization**

Under this proposal the District will issue revenue bonds backed by a portion of deed tax receipts. The proceeds from issuing the revenue bonds will be immediately available to the Housing Production Trust Fund (HPTF). A portion of the deed taxes, capped at \$20 million annually, will repay the bonds. This proposal will free up additional revenue to the general fund. Because the HPTF transfer was previously established as 15 percent of deed recordation and transfer taxes, the amount available to the general fund will be 15 percent of the deed taxes less \$20 million. For FY 2005, the additional revenue to the general fund is \$20.5 million.

### **Increase the Provider Tax**

The health care provider tax will impose a 1.2 percent tax on the District's hospitals and a 6 percent tax on nursing homes to generate \$18.0 million in general fund revenue.

### **Close Corporate Tax Loopholes**

The Corporate Franchise tax initiative will make two changes to the District's corporate franchise tax law. First, it will disallow deductions for certain kinds of payments to related corporate entities that are not taxed in the District. The proposal will require D.C. corporate franchise taxpayers to add back, to their net incomes, deductions for payments made to related companies for interest or in connection with patents, trademarks, trade names, copyrights, and similar kinds of intangible property. Secondly, it will abandon the previous business/non-business definitions and instead define business income as income "which is apportionable under the Constitution of the United States." Revenues generated from this proposal will add \$3.3 million to the general fund.

### **Charge Interest on Out-of-State Bonds**

The proposal will eliminate the exclusion of interest on bonds issued by states and municipal-

ities other than the District resulting in additional general fund revenue of \$6.2 million for FY 2005.

## Notes on the Data and the Revenue Estimates

In the tables and estimates contained in this chapter, actual revenues are reported for FY 2003, estimated revenue for FY 2004-2005, and projected revenues for FY 2006-2008. Actual revenues correspond to amounts that are reported in the Comprehensive Annual Financial Report (CAFR) for FY 2003. The Office of Revenue Analysis (ORA) prepares the estimates and projections based on current law, policy, and administrative quality. No changes in tax structure, tax rates, or addition or elimination of revenue sources are included as part of the estimate unless already legislated and able to be implemented.

## Procedures for Estimating Revenue

The process of estimating revenue begins a year in advance. The estimates for FY 2005, for instance, were begun in September 2003.

In September we issue a revenue call to all agencies requesting reports and projections on the amount of user fees, fines, and other types of non-tax income agencies expect to generate.

Economic forecasting assumptions for the District are received from two nationally known economic analysis and forecasting firms, Global Insight, Inc. (formerly DRI-WEFA) and Economy.com, in late summer or late fall. These assumptions help us build the base for growth over the forecast horizon.

During the late summer and throughout the fall, analysts maintain contact with people throughout the District government who are knowledgeable of the collection of all tax and non-tax revenues. This includes the Office of Tax and Revenue and agencies that have user fees or that impose fines. This gives us a good feel for progress in meeting the current year's goals and for understanding likely trends in the near future.

Analysts follow the year-end closing to be aware of accounting issues that might affect revenues—for instance, changes in accounts receivable or reserves that might impact revenue num-

bers.

Two advisory groups help us understand the economy:

- The first, a technical advisory group, meets in December and June and is composed of experts in revenue forecasting. Membership includes representatives from the CBO, the Richmond Federal Reserve, the Commonwealth of Virginia, the State of Maryland, and other jurisdictions and related organizations.
- The second advisory group, composed of knowledgeable local business representatives, advises us about current economic trends and helps us understand where the private sector thinks things are heading. This group meets with us in January and July. Members of this group represent the hotel and tourism industry, real estate and housing, banking and finance, neighborhood groups, downtown development interests, the education sector, and other interests.

Updated economic assumptions are received from forecasting firms in January. This allows us to fine-tune our projections based on the most recent data available before the final forecasts are released.

At the end of January, CBO releases its Winter Report. This provides recent and valuable guidance on where the national economy is expected to go over the next ten years. As the national economy has a great deal of impact on the D.C. economy, this report is a valuable tool in the final stages of the revenue estimation process.

Subsequent steps in revenue estimating are part technical and part investigative.

The technical part of revenue estimating involves using econometric methods to find statistically valid models that replicate past collections and project confidence intervals for future collections. The models use explanatory variables to account for revenue collections over time relying on relationships between (a) the money collected by the District in a given tax type, and (b) economic variables that track the underlying tax base. For example, in the unincorporated business tax, one model shows a strong lagged rela-

tionship between employment in construction and activity in the real estate market (as measured by collections in the transfer tax). This makes sense given that much of the activity that is taxed by the unincorporated business franchise tax is in the real estate and construction segments of the D.C. economy. The economic forecasting variables are used directly in these methodologies.

The rest of the process is where the investigating comes into play. The next step is to incorporate the revenue impact of legislation and additional factors that cannot be captured by econometric models. For instance, when we were developing revenue projections prior to the opening of the new convention center we knew there would be an impact in the amount of revenue generated by the sales tax, particularly at the restaurant and hotel sales tax rates. No econometric model can capture this impact. However, an estimate of the impact must be included in our revenue projections.

The final step is to run a reality check on the numbers produced. To do this, we compare the projected trends with those of the Congressional Budget Office and neighboring jurisdictions. If our projections are substantially different for individual income tax collections than what CBO is projecting, for example, we need to explain the difference. This helps ensure that our understanding and knowledge of the fundamentals of a tax type are consistent with those of other professionals in the field. The pattern of changes over the projection horizon is also scrutinized in this phase of the process. A dramatic jump or drop from one period to the next needs to be understood.

For the FY 2003 estimates, we contracted with KPMG to review our data and estimating methodologies, determine whether the methodologies are correctly implemented, and recommend changes where they find areas of weakness. Overall, they concluded that ORA uses sound methodologies and implements them competently. They also found that the greatest cause of uncertainty in the estimates is the quality of the data.

## **Additional Information on D.C. Revenues**

Tables 4-24 through 4-28 provide additional detail on what the District taxes, at what rates, and how much revenue these taxes yield.

Table 4-24

**Percentage Changes in General Fund, Local Revenue by Source**

(percentage changes from prior FY, except where noted)

	FY 2002 (actual)	FY 2003 (actual)	FY 2004 (rev.)	FY 2005 (orig.)	FY 2006 (proj.)	FY 2007 (proj.)	FY 2008 (proj.)
<b>Revenue Source</b>	<b>(\$ thousands)</b>						
Real Property	726,014	13.3%	8.8%	11.0%	10.6%	8.7%	7.2%
Personal Property (net)	65,208	3.2%	3.6%	-16.7%	0.8%	2.1%	2.5%
Public Space	12,167	-3.4%	0.7%	1.8%	1.8%	1.8%	1.8%
<b>Total Property</b>	<b>803,389</b>	<b>12.3%</b>	<b>8.3%</b>	<b>8.9%</b>	<b>10.0%</b>	<b>8.3%</b>	<b>7.0%</b>
General Sales (gross)	612,354	12.7%	4.8%	4.8%	4.4%	4.1%	4.1%
Convention Center Transfer		NA	5.4%	4.8%	4.4%	4.1%	4.1%
General Sales (net)	612,354	3.1%	4.7%	4.8%	4.4%	4.1%	4.1%
Alcohol	4,721	-2.2%	-2.7%	-2.7%	-2.7%	-2.7%	-2.7%
Cigarette	17,189	24.2%	2.5%	2.5%	2.5%	2.5%	2.5%
Motor Vehicle	34,573	7.2%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Total Sales</b>	<b>668,837</b>	<b>3.8%</b>	<b>4.6%</b>	<b>4.7%</b>	<b>4.4%</b>	<b>4.1%</b>	<b>4.1%</b>
Individual Income	949,175	-2.1%	5.4%	5.4%	2.4%	-0.1%	-0.6%
Corporation Franchise	142,647	9.9%	-6.1%	4.7%	2.5%	2.7%	2.6%
U. B. Franchise	68,602	19.1%	-1.0%	1.4%	4.0%	4.0%	4.1%
<b>Total Income</b>	<b>1,160,424</b>	<b>0.6%</b>	<b>3.4%</b>	<b>5.1%</b>	<b>2.5%</b>	<b>0.5%</b>	<b>0.2%</b>
Public Utility	140,931	18.3%	0.5%	0.5%	0.5%	0.5%	0.5%
Toll Telecommunication	55,353	-3.7%	0.5%	3.0%	4.0%	4.0%	4.0%
Insurance Premiums	35,502	16.3%	7.8%	0.0%	0.0%	0.0%	0.0%
<b>Total Gross Receipts</b>	<b>231,786</b>	<b>12.8%</b>	<b>1.6%</b>	<b>0.9%</b>	<b>1.1%</b>	<b>1.2%</b>	<b>1.2%</b>
Estate	125,889	-76.2%	10.8%	-0.8%	2.3%	2.2%	2.2%
Deed Recordation (net)	89,951	49.3%	-10.5%	5.0%	8.4%	6.1%	6.2%
Deed Transfer (net)	62,228	59.2%	-3.5%	8.1%	7.4%	7.2%	6.6%
Economic Interests	5,078	-2.8%	219.9%	-70.9%	0.0%	0.0%	0.0%
<b>Total Other Taxes</b>	<b>283,146</b>	<b>-5.3%</b>	<b>-1.3%</b>	<b>0.9%</b>	<b>7.1%</b>	<b>6.0%</b>	<b>5.8%</b>
<b>TOTAL TAXES</b>	<b>3,147,582</b>	<b>4.6%</b>	<b>4.5%</b>	<b>5.4%</b>	<b>5.3%</b>	<b>4.1%</b>	<b>3.6%</b>
Licenses & Permits	50,195	19.1%	3.9%	4.6%	-2.7%	4.0%	-2.6%
Fines & Forfeits	86,539	2.2%	-2.4%	0.7%	-1.6%	-0.5%	-0.4%
Charges for Services	55,472	18.5%	-22.5%	4.0%	-8.7%	4.5%	-4.4%
Miscellaneous Revenue	80,553	11.6%	-2.8%	0.3%	0.0%	1.1%	0.8%
<b>TOTAL NON-TAX</b>	<b>272,759</b>	<b>11.4%</b>	<b>-5.7%</b>	<b>2.0%</b>	<b>-2.6%</b>	<b>1.8%</b>	<b>-1.3%</b>
Lottery/Interfund Transfer	70,000	2.9%	-2.5%	1.3%	0.0%	0.0%	0.0%
Federal Project Funds	-	NA	NA	NA	NA	NA	NA
<b>TOTAL NON-DEDICATED GENERAL FUND</b>	<b>3,490,341</b>	<b>6.1%</b>	<b>2.6%</b>	<b>5.1%</b>	<b>4.7%</b>	<b>3.9%</b>	<b>3.3%</b>
<b>SPECIAL PURPOSE REVENUE FUND*</b>	<b>156,236</b>	<b>5.0%</b>	<b>16.9%</b>	<b>8.7%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>1.5%</b>
<b>TOTAL GENERAL FUND</b>	<b>3,646,577</b>	<b>6.0%</b>	<b>3.2%</b>	<b>5.3%</b>	<b>4.5%</b>	<b>3.7%</b>	<b>3.2%</b>
<b>TOTAL GENERAL FUND WITH REVENUE ENHANCEMENTS</b>	<b>3,646,577</b>	<b>6.0%</b>	<b>3.2%</b>	<b>7.5%</b>	<b>5.9%</b>	<b>4.8%</b>	<b>3.9%</b>

Table 4-25

# Summary of Major Taxes in the District of Columbia, Fiscal Year 2004

## PART A—GENERAL FUND TAXES

TAX	DESCRIPTION OF WHAT IS TAXED	RATE	FY 2003 REVENUE
REAL PROPERTY TAX	<p>All real property, unless expressly exempted, is subject to the real property tax and is assessed at 100% of market value. With the property tax year beginning October 1, 2002, the District of Columbia increased the number of property classes from two to the following three classifications of property: Class I--improved residential real property that is occupied and is used exclusively for nontransient residential dwelling purposes; Class II--commercial property; and Class III - unimproved or abandoned property. <i>D.C. Code Citation: Title 47, Chapter 7 - 14.</i></p> <p>The District's Real Property Tax Year is October 1 through September 30.</p>	<p><b>Property Class</b></p> <p>Class 1      <b>Tax Per \$100 of Value</b></p> <p>Class 2      \$0.96 (*)</p> <p>Class 3      \$1.85</p> <p>             \$5.00</p> <p>(*) For owner-occupied residential real property, the first \$30,000 of Assessed Value is exempt from the tax.</p>	\$ 822,845,000
PERSONAL PROPERTY TAX	<p>All tangible property, except inventories, used or available for use in a trade or business. <i>D.C. Code Citation: Title 47, Chapter 15 - 17.</i></p>	<p>\$3.40 per \$100 of assessed value</p> <p>Note: As of July 31, 2000, both an accelerated depreciation schedule for computer equipment; and a \$50,000 taxable value threshold on personal property are adopted.</p>	\$ 67,294,000
PUBLIC SPACE RENTAL	<p>Commercial use of publicly owned property between the property line and the street. <i>D.C. Code Citation: Title 7, Chapter 10.</i></p>	<p>Various rates for the following: Vault, Sidewalk (Enclosed and Unenclosed), Sidewalk Surface, and Fuel Oil Tank</p>	\$ 11,749,000
SALES AND USE TAX	<p>All tangible personal property and certain selected services, sold or rented to businesses or individuals at retail in the District. Groceries, prescription and non-prescription drugs, and residential utility services are among those items exempt from the sales tax.</p> <p>The use tax is imposed at the same rate as the sales tax rate on purchases made outside the District and then brought into the District to be used, stored or consumed, providing that the purchaser has not paid the sales tax on the purchases to another jurisdiction. <i>D.C. Code Citation: Title 47, Chapters 20 and 22.</i></p>	<p>A five-tier rate structure is presently in effect:</p> <p>5.75% General rate for tangible personal property and selected services,</p> <p>9% Liquor sold for off the premises consumption</p> <p>10% Restaurant meals, liquor for consumption on the premises, rental vehicles, prepaid phone cards</p> <p>12% Parking motor vehicles in commercial lots</p> <p>14.5% Transient accommodations</p> <p>Note: The following portions of the sales tax go to the Convention Center Fund: 1% of sales tax from restaurant meals etc., and 4.45% of sales tax from transient accommodations. Sales tax on internet access is eliminated.</p>	\$ 631,465,000 (a)

ALCOHOLIC BEVERAGE TAX	Alcoholic beverages manufactured by a holder of a manufacturer's license and beverages brought into D.C. by the holder of a wholesaler's or a retailer's license. <i>D.C. Code Citation: Title 25, Chapter 9.</i>	Beer --\$2.79 per 31 gallon barrel Light wine < 14% alcohol—30¢ per gal Heavy wine >14% alcohol—40¢ per gal Champagne/sparkling wine— 45¢ per gal Spirits -- \$1.50 per gallon	\$4,619,000
CIGARETTE TAX	The sale or possession of cigarettes in the District. Cigarettes sold to the military and to federal Government are exempt. <i>D.C. Code Citation: Title 47, Chapter 24.</i>	\$1.00 per package of twenty cigarettes	\$ 21,344,000
MOTOR VEHICLE EXCISE TAX	Issuance of every original and subsequent certificate of title on motor vehicles and trailers. <i>D.C. Code Citation: Title 47, Chapter 23.</i>	Based on manufacturer's shipping weight 6% of fair market value-3,499 lbs or less 7% of fair market value-3,500 lbs or more	\$ 37,066,000
INDIVIDUAL INCOME TAX	The taxable income of an individual who is domiciled in the District at any time during the tax year, or who maintains an abode in the District for 183 or more days during the year. <i>D.C. Code Citation: Title 47, Chapter 18.</i>	For Calendar Year 2003: Taxable Income      Tax Rate First \$10,000              5.0% Over \$10,000, but Not over \$30,000      \$500 + 7.5% of excess over \$10,000 Over \$30,000              \$2,000 + 9.3% of Excess over \$30,000	\$ 928,968,000
CORPORATE FRANCHISE TAX	Net income of corporations having nexus in the District. All corporations engaging in a trade, business or profession in the District of Columbia must register. <i>D.C. Code Citation: Title 47, chapter 18.</i>	The franchise tax rate is 9.975 percent of taxable income.	\$ 156,777,000
U. B. FRANCHISE TAX	Net income of unincorporated businesses with gross receipts over \$12,000. A 30% salary allowance for owners and a \$5,000 exemption are deductible from net income to arrive at taxable income. A business is exempt if more than 80% of gross income is derived from personal services rendered by the members of the entity and capital is not a material income-producing factor. A trade, business or professional organization which by law, customs or ethics cannot be incorporated is exempt. <i>D.C. Code Citation: Title 47, chapter 18.</i>	The franchise tax rate is 9.975 percent of taxable income.	\$ 81,707,000
PUBLIC UTILITY TAX	Gross receipts of gas, electric and local telephone companies. <i>D.C. Code Citation: Title 47, Chapter 25.</i>	11% of gross charges	\$166,743,000
TOLL TELECOM-MUNICATIONS TAX	Gross receipts of companies providing toll telecommunication service in the District. <i>D.C. Code Citation: Title 47, Chapter 39.</i>	11% of gross charges	\$ 53,324,000
INSURANCE PREMIUMS TAX	Gross insurance premiums received on risks in the District, less premiums received for reinsurance assumed, returned premiums and dividends paid to policy-holders. The tax is in lieu of all other taxes except real estate taxes and fees provided for by the District's insurance law. <i>D.C. Code Citation: Title 35; Title 47, Chapter 26.</i>	1.7% on gross premium receipts	\$ 41,281,000
ESTATE TAX	The estate of every decedent dying while a resident of the District, and on the estate of every nonresident decedent owning property having a taxable situs in the District at the time of his or her death, where the gross estate exceeds \$1,000,000. <i>D.C. Code Citation: Title 47, Chapter 37.</i>	Tax due is determined by using Form D-76 (Estate Tax Return). Return must be filed within 10 months of death..	\$ 29,944,000



DEED RECORDATION TAX	The recording of all deeds to real estate in the District. The basis of the tax is the value of consideration given for the property. Where there is no consideration or where the consideration is nominal, the tax is imposed on the basis of the fair market value of the property. <i>D.C. Code Citation: Title 42, Chapter 11.</i>	1.5% of consideration or fair market value Note: 1.1% of consideration or fair market value for residential properties worth \$250,000 or less.	\$ 134,262,000
DEED TRANSFER TAX	Each transfer of real property at the time the deed is submitted for recordation. The tax is based upon the consideration paid for the transfer. Where there is no consideration or where the amount is nominal, the basis of the transfer tax is the fair market value of the property conveyed. <i>D.C. Code Citation: Title 47 Chapter 9.</i>	1.5% of consideration or fair market value Note: 1.1% of consideration or fair market value for residential properties worth \$250,000 or less.	\$ 99,052,000
ECONOMIC INTEREST TAX	The economic interest transfer tax is triggered by the sale of a controlling interest in a business entity, including one or two of the following elements. These elements are 1) 80% or more of the assets of a corporation consist of real property located in the District of Columbia; or 2) more than 50% of the gross receipts of the corporation are derived from ownership or disposition of real property in D.C. The consideration is not always equal to the assessed value of the property. The consideration is what is paid for the interest in the real property being transferred. If there is no consideration, then the tax basis will be the assessed value of the property owned by the corporation. <i>D.C. Code Citation: Title 42 Chapter 11.</i>	3.0% of consideration or fair market value	\$ 4,934,000
TOTAL GENERAL FUND TAXES:			\$3,293,374,000 (a)

## PART B—OTHER SELECTED TAXES

TAX	DESCRIPTION OF WHAT IS TAXED	RATE	FY 2003 REVENUE
MOTOR VEHICLE FUEL TAX	Every importer of motor vehicle fuels, including gasoline, diesel fuel, benzol, benzene, naphtha, kerosene, heating oils, all liquefied petroleum gases and all combustible gases and liquids suitable for the generation of power for the propulsion of motor vehicles. <i>D.C. Code Citation: Title 47, Chapter 23.</i>	20¢ per gallon	\$ 26,808,000

Source of General Fund Revenue Amounts: Government of the District of Columbia Comprehensive Annual Financial Report, Year Ended September 30, 2003

Notes: (a) Amount excludes transfers to the Convention Center Fund.

Table 4-26

# General Fund, Local Revenue by Source, Yearly Differences and Yearly Percentage Differences, Fiscal Years 2003-2005

(\$ thousands)

Revenue Source	FY 2003 Actual	FY 2004 Revised	FY 2005 Original	Difference FY03 to FY04	Difference FY04 to FY05	Pct. Diff. FY03 to FY04	Pct. Diff. FY04 to FY05
Real Property	822,845	895,270	993,951	72,425	98,681	8.8%	11.0%
Personal Property (net)	67,294	69,733	58,107	2,439	(11,626)	3.6%	-16.7%
Public Space	11,749	11,834	12,050	85	216	0.7%	1.8%
<b>Total Property</b>	<b>901,888</b>	<b>976,837</b>	<b>1,064,108</b>	<b>74,949</b>	<b>87,271</b>	<b>8.3%</b>	<b>8.9%</b>
General Sales (gross)	690,370	723,239	757,946	32,869	34,707	4.8%	4.8%
Convention Center Transfer	58,905	62,107	65,087	3,202	2,981	5.4%	4.8%
General Sales (net)	631,465	661,132	692,859	29,667	31,727	4.7%	4.8%
Alcohol	4,619	4,495	4,374	(124)	(121)	-2.7%	-2.7%
Cigarette	21,344	21,884	22,438	540	554	2.5%	2.5%
Motor Vehicle	37,066	38,914	40,855	1,848	1,941	5.0%	5.0%
<b>Total Sales</b>	<b>694,494</b>	<b>726,425</b>	<b>760,526</b>	<b>31,931</b>	<b>34,101</b>	<b>4.6%</b>	<b>4.7%</b>
Individual Income	928,968	979,510	1,032,847	50,542	53,337	5.4%	5.4%
Corporation Franchise	156,777	147,284	154,261	(9,493)	6,977	-6.1%	4.7%
U. B. Franchise	81,707	80,900	82,020	(807)	1,120	-1.0%	1.4%
<b>Total Income</b>	<b>1,167,452</b>	<b>1,207,694</b>	<b>1,269,128</b>	<b>40,242</b>	<b>61,434</b>	<b>3.4%</b>	<b>5.1%</b>
Public Utility	166,743	167,544	168,365	801	821	0.5%	0.5%
Toll Telecommunication	53,324	53,591	55,198	267	1,607	0.5%	3.0%
Insurance Premiums	41,281	44,500	44,500	3,219	0	7.8%	0.0%
<b>Total Gross Receipts</b>	<b>261,348</b>	<b>265,635</b>	<b>268,063</b>	<b>4,287</b>	<b>2,428</b>	<b>1.6%</b>	<b>0.9%</b>
Estate	29,944	33,172	32,921	3,228	(251)	10.8%	-0.8%
Deed Recordation (net)	134,262	120,124	126,130	(14,138)	6,006	-10.5%	5.0%
Deed Transfer (net)	99,052	95,548	103,259	(3,504)	7,711	-3.5%	8.1%
Economic Interests	4,934	15,782	4,595	10,848	(11,187)	219.9%	-70.9%
<b>Total Other Taxes</b>	<b>268,192</b>	<b>264,626</b>	<b>266,905</b>	<b>(3,566)</b>	<b>2,279</b>	<b>-1.3%</b>	<b>0.9%</b>
<b>TOTAL TAXES</b>	<b>3,293,374</b>	<b>3,441,217</b>	<b>3,628,730</b>	<b>147,843</b>	<b>187,513</b>	<b>4.5%</b>	<b>5.4%</b>
Licenses & Permits	59,761	62,075	64,952	2,314	2,877	3.9%	4.6%
Fines & Forfeits	88,455	86,299	86,896	(2,156)	597	-2.4%	0.7%
Charges for Services	65,736	50,953	53,006	(14,783)	2,053	-22.5%	4.0%
Miscellaneous Revenue	89,905	87,345	87,593	(2,560)	248	-2.8%	0.3%
<b>TOTAL NON-TAX</b>	<b>303,857</b>	<b>286,672</b>	<b>292,447</b>	<b>(17,185)</b>	<b>5,775</b>	<b>-5.7%</b>	<b>2.0%</b>
Lottery/Interfund Transfer	72,000	70,200	71,100	(1,800)	900	-2.5%	1.3%
Federal Project Funds	33,000	0	0	(33,000)	0	-100.0%	NA
<b>TOTAL NON-DEDICATED GENERAL FUND</b>	<b>3,702,231</b>	<b>3,798,089</b>	<b>3,992,277</b>	<b>95,858</b>	<b>194,188</b>	<b>2.6%</b>	<b>5.1%</b>
<b>SPECIAL PURPOSE REVENUE FUND*</b>	<b>164,125</b>	<b>191,943</b>	<b>208,624</b>	<b>27,818</b>	<b>16,681</b>	<b>16.9%</b>	<b>8.7%</b>
<b>TOTAL GENERAL FUND</b>	<b>3,866,356</b>	<b>3,990,032</b>	<b>4,200,901</b>	<b>123,676</b>	<b>210,869</b>	<b>3.2%</b>	<b>5.3%</b>
<b>TOTAL GENERAL FUND WITH REVENUE ENHANCEMENTS</b>	<b>3,866,356</b>	<b>3,990,032</b>	<b>4,288,202</b>	<b>123,676</b>	<b>298,169</b>	<b>3.2%</b>	<b>7.5%</b>

\* Revised Special Purpose Revenue estimates for FY 2004 will be certified separately as part of a supplemental budget.

Table 4-27

**Local Fund Revenues, FY1993-FY2003**

(\$ thousands)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Real Property	928,322	730,641	654,284	624,382	617,694	616,935	597,566	610,896	633,172	726,014	822,845
Personal Prop.	67,085	62,437	61,305	65,201	60,392	68,475	73,928	70,133	64,144	65,208	67,294
Public Space	16,256	17,931	14,754	12,052	9,513	10,030	8,056	11,752	10,107	12,167	11,749
<b>Total Property</b>	<b>1,011,663</b>	<b>811,009</b>	<b>730,343</b>	<b>701,635</b>	<b>687,599</b>	<b>695,440</b>	<b>679,550</b>	<b>692,781</b>	<b>707,423</b>	<b>803,389</b>	<b>901,888</b>
<b>General Sales and Use</b>	<b>410,068</b>	<b>458,555</b>	<b>485,651</b>	<b>467,527</b>	<b>482,354</b>	<b>525,087</b>	<b>541,573</b>	<b>585,688</b>	<b>617,217</b>	<b>612,354</b>	<b>631,465</b>
Alcohol	5,289	4,878	4,930	5,100	5,460	4,702	4,821	4,779	4,743	4,721	4,619
Cigarette	20,845	21,721	20,117	18,676	18,946	17,592	17,107	17,177	16,329	17,189	21,344
Motor Vehicle Fuel	34,780	36,107	34,617	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Motor Vehicle Excise	24,268	27,456	30,440	31,668	30,271	29,838	31,329	36,693	38,825	34,573	37,066
Hotel Occupancy	9,485	8,757	8,352	7,420	3,806	5,369	(26)	0	25	0	0
<b>Total Selective Sales</b>	<b>94,667</b>	<b>98,919</b>	<b>98,456</b>	<b>39,088</b>	<b>58,483</b>	<b>57,501</b>	<b>53,231</b>	<b>58,649</b>	<b>59,922</b>	<b>56,483</b>	<b>63,029</b>
Ind. Income	589,521	650,660	643,676	689,408	753,475	861,505	952,156	1,077,346	1,098,188	949,175	928,968
Corp. Franchise	105,038	113,981	121,407	123,114	144,563	170,029	163,699	190,594	233,237	142,647	156,777
U.B. Franchise	35,960	36,227	39,272	31,031	38,942	45,767	53,896	70,624	68,812	68,602	81,707
<b>Total Income</b>	<b>730,519</b>	<b>800,868</b>	<b>804,355</b>	<b>843,553</b>	<b>936,980</b>	<b>1,077,301</b>	<b>1,169,751</b>	<b>1,338,564</b>	<b>1,400,237</b>	<b>1,160,424</b>	<b>1,167,452</b>
Insurance	32,187	31,208	34,703	33,121	42,625	37,096	26,944	30,882	33,356	35,502	41,281
Public Utility	127,245	134,228	131,012	144,842	141,901	141,069	128,472	132,849	149,125	140,931	166,743
Toll Tele. Tax	37,807	39,958	44,554	45,464	52,994	56,732	51,874	48,280	51,259	55,353	53,324
Health Care Prov. Fee	32,354	27,708	175	11,530	(8,278)	1,740	0	0	0	0	0
Public Safety Fee		10,097	468	0	0	0	0	0	0	0	0
<b>Total Gross Receipts</b>	<b>229,593</b>	<b>243,199</b>	<b>210,912</b>	<b>234,957</b>	<b>229,242</b>	<b>236,637</b>	<b>207,290</b>	<b>212,011</b>	<b>233,740</b>	<b>231,786</b>	<b>261,348</b>
Estate	38,680	11,714	16,807	32,175	27,314	32,256	26,247	35,992	51,072	125,889	29,944
Deed Recordation	20,245	23,547	22,691	33,099	30,821	53,863	70,398	60,418	75,936	89,951	134,262
Deed Transfer	21,506	21,980	21,826	26,701	27,162	42,597	47,001	44,660	62,086	62,228	99,052
Economic Interests	911	262	0	10	10,081	11,166	3,687	540	1,640	5,078	4,934
<b>Total Other Taxes</b>	<b>81,342</b>	<b>57,503</b>	<b>61,324</b>	<b>91,985</b>	<b>95,378</b>	<b>139,882</b>	<b>147,333</b>	<b>141,610</b>	<b>190,734</b>	<b>283,146</b>	<b>268,192</b>
<b>TOTAL TAXES</b>	<b>2,557,852</b>	<b>2,470,053</b>	<b>2,391,041</b>	<b>2,402,521</b>	<b>2,490,036</b>	<b>2,731,848</b>	<b>2,798,728</b>	<b>3,029,303</b>	<b>3,209,273</b>	<b>3,147,582</b>	<b>3,293,374</b>

Table 4-27 (Continued)

**Local Fund Revenues, FY1993-FY2003**

(\$ thousands)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Business Licenses & Permits	25,868	29,202	29,943	29,663	28,268	31,050	28,607	24,929	21,767	29,875	35,195
Non-Business Licenses & Permits	18,696	19,896	17,640	19,737	17,221	17,073	17,927	18,825*	19,627	20,320	24,566
<b>Total Licenses &amp; Permits</b>	<b>44,564</b>	<b>49,098</b>	<b>47,583</b>	<b>49,400</b>	<b>45,489</b>	<b>48,123</b>	<b>46,534</b>	<b>43,754</b>	<b>41,394</b>	<b>50,195</b>	<b>59,761</b>
<b>Fines and Forfeitures</b>	<b>51,845</b>	<b>48,107</b>	<b>42,447</b>	<b>40,792</b>	<b>51,664</b>	<b>53,177</b>	<b>47,688</b>	<b>53,216</b>	<b>57,052</b>	<b>86,539</b>	<b>88,455</b>
Parking Meters	13,229	12,954	12,889	9,681	5,766	7,082	12,784	11,721	11,721	14,031	14,019
Other Charges	39,674	39,150	39,798	36,353	38,044	27,670	18,271	25,536	52,229	41,441	51,717
<b>Total Charges for Services</b>	<b>52,903</b>	<b>52,104</b>	<b>52,687</b>	<b>46,034</b>	<b>43,810</b>	<b>34,752</b>	<b>31,055</b>	<b>37,257</b>	<b>63,950</b>	<b>55,472</b>	<b>65,736</b>
Interest Income	7,171	7,995	17,994	13,917	18,599	32,478	41,289	12,779	33,317	9,645	9,906
Unclaimed Property	12,614	13,904	13,856	16,230	17,688	25,908	31,511	28,042	19,006	16,148	20,308
Other Revenues	12,975	25,353	21,984	11,870	34,642	40,750	13,940	61,337	87,963	54,762	59,691
<b>Total Misc. Revenues</b>	<b>32,760</b>	<b>47,252</b>	<b>53,834</b>	<b>42,017</b>	<b>70,929</b>	<b>99,136</b>	<b>86,740</b>	<b>102,158</b>	<b>140,286</b>	<b>80,555</b>	<b>89,905</b>
<b>TOTAL NON-TAX REVENUES</b>	<b>182,072</b>	<b>196,561</b>	<b>196,551</b>	<b>178,243</b>	<b>211,892</b>	<b>235,188</b>	<b>212,017</b>	<b>236,385</b>	<b>302,682</b>	<b>272,759</b>	<b>303,857</b>
<b>TOTAL TAX &amp; NON-TAX REVENUES</b>	<b>2,739,925</b>	<b>2,666,614</b>	<b>2,587,592</b>	<b>2,580,764</b>	<b>2,701,928</b>	<b>2,967,036</b>	<b>3,010,745</b>	<b>3,265,688</b>	<b>3,511,955</b>	<b>3,420,341</b>	<b>3,597,231</b>
Tobacco Settlement	0	0	0	0	0	0	0	16,049	13,289	0	0
Lottery Transfer	66,875	69,050	85,100	75,250	69,200	81,300	64,225	69,450	86,858	63,000	72,000
Federal Payment/Contribution	635,930	647,930	660,000	660,000	665,702	198,000	0	0	0	0	0
Federal Project Funds	0	0	0	0	0	0	157,968	23,576	43,295	43,295	33,000
<b>TOTAL GENERAL NON-DEDICATED FUND REVENUE</b>	<b>3,442,729</b>	<b>3,383,594</b>	<b>3,332,692</b>	<b>3,316,014</b>	<b>3,436,830</b>	<b>3,246,336</b>	<b>3,232,938</b>	<b>3,374,763</b>	<b>3,655,399</b>	<b>3,526,636</b>	<b>3,702,231</b>

Source: Comprehensive Annual Financial Report (various years); amounts beginning in FY 1998 are reported net of transfers to the Convention Center Fund.

Note: FY 1997 Total Revenue included \$1.647 million from the sale of surplus property.

\*Non-Business Licenses was derived from the difference between the total Licenses and Permits and the reported R\*STARS Business Licenses and Permits Total.

**Table 4-28 Special Purpose (O-type) Revenue Funds, by Source**

**A. Government Direction and Support**

	FY 2003 End of Year Fund Balance	FY 2004 Certified Revenues 5/03 Cert.	FY 2004 Certified Fund Balance 5/03 Cert.	FY 2004 Certified Resources 5/03 Cert.	FY 2005 Certified Revenues 2/04 Cert.	FY 2005 Certified Fund Balance 2/04 Cert.	FY 2005 Certified Resources 2/04 Cert.	FY 2006 Certified Revenues 2/04 Cert.	FY 2007 Certified Revenues 2/04 Cert.	FY 2008 Certified Revenues 2/04 Cert.
<b>Office of the City Administrator</b>	<b>24,759,956</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,759,956</b>	<b>24,759,956</b>	<b>0</b>	<b>0</b>	<b>0</b>
0600 Crime Victims' Assistance Fund	24,759,956	0	0	0	0	24,759,956	24,759,956	0	0	0
<b>Department of Property Management</b>	<b>0</b>	<b>3,800,000</b>	<b>0</b>	<b>3,800,000</b>	<b>3,625,000</b>	<b>0</b>	<b>3,625,000</b>	<b>3,787,500</b>	<b>3,958,125</b>	<b>4,137,281</b>
1450 Parking	0	550,000	0	550,000	375,000	0	375,000	375,000	375,000	375,000
1459 Outleasing Account	0	3,250,000	0	3,250,000	3,250,000	0	3,250,000	3,412,500	3,583,125	3,762,281
<b>Office of Finance &amp; Resource Mgmt</b>	<b>0</b>	<b>685,460</b>	<b>0</b>	<b>685,460</b>	<b>964,334</b>	<b>0</b>	<b>964,334</b>	<b>993,264</b>	<b>1,023,062</b>	<b>1,053,754</b>
1150 Utilities Payment for Non-DC Agencies	0	685,460	0	685,460	964,334	0	964,334	993,264	1,023,062	1,053,754
<b>Office of Chief Financial Officer</b>	<b>1,469,963</b>	<b>8,645,000</b>	<b>0</b>	<b>8,645,000</b>	<b>9,180,000</b>	<b>0</b>	<b>9,180,000</b>	<b>9,180,000</b>	<b>9,180,000</b>	<b>9,180,000</b>
0602 Payroll Service Fees	0	300,000	0	300,000	350,000	0	350,000	350,000	350,000	350,000
0603 Payroll Contract Fees	0	15,000	0	15,000	5,000	0	5,000	5,000	5,000	5,000
0605 Dishonored Check Fees	0	350,000	0	350,000	450,000	0	450,000	450,000	450,000	450,000
0606 Recorder of Deeds Surcharge	1,469,963	700,000	0	700,000	900,000	0	900,000	900,000	900,000	900,000
0610 Bank Fees	0	2,400,000	0	2,400,000	2,400,000	0	2,400,000	2,400,000	2,400,000	2,400,000
0611 Discovery Contract - Tax Collection Fees	0	400,000	0	400,000	750,000	0	750,000	750,000	750,000	750,000
0612 Tax Increment Financing Fund	0	400,000	0	400,000	0	0	0	0	0	0
0613 Unclaimed Property Contingency Fund	0	2,400,000	0	2,400,000	2,875,000	0	2,875,000	2,875,000	2,875,000	2,875,000
0614 Defined Contribution Plan Administration Fund	0	80,000	0	80,000	50,000	0	50,000	50,000	50,000	50,000
0615 Federal Retirement Benefits Processing Fees	0	1,600,000	0	1,600,000	1,400,000	0	1,400,000	1,400,000	1,400,000	1,400,000
<b>Office of the Secretary</b>	<b>0</b>	<b>400,000</b>	<b>0</b>	<b>400,000</b>	<b>415,000</b>	<b>0</b>	<b>415,000</b>	<b>420,000</b>	<b>420,000</b>	<b>420,000</b>
1243 Sell of the DCMR & Notary Fees	0	400,000	0	400,000	415,000	0	415,000	420,000	420,000	420,000
<b>D.C. Office of Personnel</b>	<b>0</b>	<b>762,000</b>	<b>0</b>	<b>762,000</b>	<b>502,540</b>	<b>0</b>	<b>502,540</b>	<b>517,616</b>	<b>533,145</b>	<b>549,139</b>
0615 Reimbursables from Defined Benefit Program	0	170,000	0	170,000	363,775	0	363,775	374,688	385,929	397,507
0620 Annuitant Health & Life Insurance Fund	0	450,000	0	450,000	0	0	0	0	0	0
1555 Reimbursables from Federal Agencies	0	142,000	0	142,000	138,765	0	138,765	142,928	147,216	151,632
<b>Office of the Corporation Counsel</b>	<b>11,300,638</b>	<b>4,380,808</b>	<b>1,535,000</b>	<b>5,915,808</b>	<b>4,257,808</b>	<b>1,623,000</b>	<b>5,880,808</b>	<b>4,307,808</b>	<b>4,332,808</b>	<b>4,357,808</b>
0601 Driving Under the Influence (DUI) Fund	0	120,000	0	120,000	85,000	0	85,000	85,000	85,000	85,000
0602 Antitrust Fund	486,730	0	600,000	600,000	200,000	400,000	600,000	200,000	200,000	200,000
0603 Child Support - TANF/AFDC Collections	9,504,898	4,172,872	0	4,172,872	3,694,872	478,000	4,172,872	3,694,872	3,694,872	3,694,872
0604 Child Support - Reimbursement & Fees	62,936	62,936	0	62,936	62,936	0	62,936	62,936	62,936	62,936
0611 Consumer Protection Fund	1,210,080	0	910,000	910,000	200,000	710,000	910,000	250,000	275,000	300,000
0612 Antifraud Fund	35,994	25,000	25,000	50,000	15,000	35,000	50,000	15,000	15,000	15,000
<b>Office of Contracts &amp; Procurement</b>	<b>92,983</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>390,000</b>	<b>390,000</b>	<b>390,000</b>	<b>390,000</b>	<b>390,000</b>
6102 D.C. Supply Schedule Sales Fund (See Note 1)	92,983	0	0	0	0	390,000	390,000	390,000	390,000	390,000

**Table 4-28 Special Purpose (O-type) Revenue Funds, by Source (continued)**

**B. Economic Development and Regulation**

	FY 2003 End of Year Fund Balance	FY 2004 Certified Revenues 5/03 Cert.	FY 2004 Balance 5/03 Cert.	FY 2004 Certified Resources 5/03 Cert.	FY 2005 Certified Revenues 2/04 Cert.	FY 2005 Certified Fund Balance 2/04 Cert.	FY 2005 Certified Resources 2/04 Cert.	FY 2006 Certified Revenues 2/04 Cert.	FY 2007 Certified Revenues 2/04 Cert.	FY 2008 Certified Revenues 2/04 Cert.
<b>Dept of Banking &amp; Financial Institutions</b>										
0610 Charter School Credit Enhancement Fund	6,649,148	2,000,000	6,709,700	8,709,700	2,000,000	0	2,000,000	3,109,936	3,109,936	3,109,936
2492 Licensing Fees	139,477	2,000,000	200,000	2,200,000	2,000,000	0	2,000,000	3,109,936	3,109,936	3,109,936
<b>Department of Employment Services</b>										
0603 Miscellaneous Revenue	20,385,729	20,770,904	1,000,000	20,770,904	22,685,519	3,750,000	26,435,519	22,250,000	22,250,000	22,250,000
0610 Worker's Compensation - Special Fund	871,582	0	1,000,000	0	0	0	0	0	0	0
0611 Worker's Compensation - Administrative	8,089,053	5,000,000	0	5,000,000	7,000,000	0	7,000,000	7,000,000	7,000,000	7,000,000
0612 UI Penalties & Interest	5,902,388	12,370,904	0	12,370,904	14,435,519	0	14,435,519	14,000,000	14,000,000	14,000,000
0613 Reed Act Fund	1,289,327	1,000,000	0	1,000,000	1,250,000	250,000	1,500,000	1,250,000	1,250,000	1,250,000
0614 Surcharge	0	2,400,000	0	2,400,000	0	0	0	0	0	0
0617 DOES Building Proceeds	4,233,379	0	0	0	0	3,000,000	3,000,000	0	0	0
<b>Dept. of Consumer and Regulatory Affairs</b>										
6004 Consumer Claims	12,022,526	7,123,350	0	7,123,350	8,423,539	0	8,423,539	8,423,539	8,423,539	8,423,539
6005 Condo Conversion	0	0	0	0	10,000	0	10,000	10,000	10,000	10,000
6006 Nuisance Abatement	0	145,000	0	145,000	20,000	0	20,000	20,000	20,000	20,000
6007 Site Evaluation (Education Lic. Commission)	3,959,535	2,800,000	0	2,800,000	2,800,000	0	2,800,000	2,800,000	2,800,000	2,800,000
6008 Real Estate Guarantee Fund	2,122,232	329,500	0	329,500	0	0	0	0	0	0
6009 Real Estate Appraisal Fund	0	36,000	0	36,000	919,834	0	919,834	919,834	919,834	919,834
6010 OPLA Special Fund	848,352	600,000	0	600,000	40,970	0	40,970	40,970	40,970	40,970
6011 Special Events Fund	0	20,000	0	20,000	1,281,580	0	1,281,580	1,281,580	1,281,580	1,281,580
6012 Boxing & Wrestling	0	50,000	0	50,000	30,000	0	30,000	30,000	30,000	30,000
6013 Basic Business License	4,896,283	3,100,000	0	3,100,000	50,000	0	50,000	50,000	50,000	50,000
6014 Fire Protection Account	0	0	0	0	3,100,000	0	3,100,000	3,100,000	3,100,000	3,100,000
6020 Board of Engineering	196,124	32,850	0	32,850	100,000	0	100,000	100,000	100,000	100,000
<b>Office of Cable Television</b>										
0600 Franchise Fees & Tape Sales	3,436,293	4,189,748	0	4,189,748	4,004,000	0	4,004,000	4,004,000	4,004,000	4,004,000
<b>Department of Housing and Community Development</b>										
0602 HPAP Repay	47,456,022	23,546,000	24,640,030	48,186,030	43,931,994	54,610,064	98,542,058	47,154,063	50,035,063	52,998,063
0603 LAHDO	18,987,108	2,600,000	3,724,215	6,324,215	2,760,018	5,825,756	8,585,774	2,760,018	2,760,018	2,760,018
0605 Multi-Family/ Rehab Repay	1,990,293	200,000	216,000	416,000	142,931	1,849,007	1,991,938	142,931	142,931	142,931
1261 Housing Production Trust Fund (See Note 2)	504,034	200,000	200,000	400,000	67,114	504,034	571,148	67,114	67,114	67,114
1980 Portal Site	25,974,587	20,500,000	20,499,815	40,999,815	40,480,000	46,431,267	86,911,267	43,702,000	46,583,000	49,546,000
	0	46,000	0	46,000	481,931	0	481,931	482,000	482,000	482,000
<b>Public Services Commission</b>										
0631 Utilities Regulation	107,949	6,720,627	0	6,720,627	7,079,473	0	7,079,473	7,079,473	7,079,473	7,079,473
0641 Auditors Assessment Fund	0	6,505,076	0	6,505,076	7,079,473	0	7,079,473	7,079,473	7,079,473	7,079,473
0651 Copy Fund	35,393	140,551	0	140,551	0	0	0	0	0	0
	72,556	75,000	0	75,000	0	0	0	0	0	0
<b>Office of People's Counsel</b>										
0631 Advocate for Consumers	40,676	4,178,198	0	4,178,198	4,270,023	0	4,270,023	4,270,023	4,270,023	4,270,023
	40,676	4,178,198	0	4,178,198	4,270,023	0	4,270,023	4,270,023	4,270,023	4,270,023

**Table 4-28 Special Purpose (O-type) Revenue Funds, by Source (continued)**

	FY 2003 End of Year Fund Balance	FY 2004 Certified Revenues 5/03 Cert.	FY 2004 Certified Fund Balance 5/03 Cert.	FY 2004 Resources 5/03 Cert.	FY 2005 Certified Revenues 2/04 Cert.	FY 2005 Certified Fund Balance 2/04 Cert.	FY 2005 Resources 2/04 Cert.	FY 2006 Certified Revenues 2/04 Cert.	FY 2007 Certified Revenues 2/04 Cert.	FY 2008 Certified Revenues 2/04 Cert.
<b>Office of the Deputy Mayor for Economic Development</b>	<b>12,031,642</b>	<b>13,000,000</b>	<b>10,816,426</b>	<b>23,816,426</b>	<b>15,000,000</b>	<b>10,816,426</b>	<b>25,816,426</b>	<b>15,000,000</b>	<b>15,000,000</b>	<b>15,000,000</b>
0609 Industrial Revenue Bond Proceeds	5,132,827	1,000,000	4,316,426	5,316,426	2,000,000	3,316,426	5,316,426	2,000,000	2,000,000	2,000,000
0622 Commercial Trust Fund	6,896,755	0	6,500,000	6,500,000	0	7,500,000	7,500,000	0	0	0
2003 Business Improvement Districts	2,060	12,000,000	0	12,000,000	13,000,000	0	13,000,000	13,000,000	13,000,000	13,000,000
<b>Alcoholic Beverage Regulation Admin.</b>	<b>2,139,268</b>	<b>3,526,300</b>	<b>0</b>	<b>3,526,300</b>	<b>3,532,708</b>	<b>0</b>	<b>3,532,708</b>	<b>3,532,708</b>	<b>3,532,708</b>	<b>3,532,708</b>
6017 Importer & Licensing Fees	2,036,975	3,500,000	0	3,500,000	3,506,708	0	3,506,708	3,506,708	3,506,708	3,506,708
6018 Keg Fees	102,293	6,300	0	6,300	6,000	0	6,000	6,000	6,000	6,000
6019 Caterer Fees	0	20,000	0	20,000	20,000	0	20,000	20,000	20,000	20,000
<b>Department of Insurance and Securities Regulation</b>	<b>757,140</b>	<b>10,244,456</b>	<b>0</b>	<b>10,244,456</b>	<b>11,165,278</b>	<b>0</b>	<b>11,165,278</b>	<b>11,165,278</b>	<b>11,165,278</b>	<b>11,165,278</b>
2100 HMO Assessment Fee	69,985	782,227	0	782,227	806,397	0	806,397	806,397	806,397	806,397
2200 Insurance Assessment Fee	687,155	6,874,318	0	6,874,318	7,495,120	0	7,495,120	7,495,120	7,495,120	7,495,120
2300 Securities/ Broker Dealer Licenses Fees	0	2,587,911	0	2,587,911	2,863,761	0	2,863,761	2,863,761	2,863,761	2,863,761
<b>C. Public Safety and Justice</b>										
<b>Metropolitan Police Department</b>	<b>8,961,140</b>	<b>14,918,570</b>	<b>3,050,907</b>	<b>17,969,477</b>	<b>16,769,244</b>	<b>7,065,377</b>	<b>23,834,621</b>	<b>16,769,244</b>	<b>16,769,244</b>	<b>16,769,244</b>
1431 Data Processing	0	118,000	0	118,000	130,804	0	130,804	130,804	130,804	130,804
1555 Reimbursable From Other Govt.	0	607,000	0	607,000	650,000	0	650,000	650,000	650,000	650,000
1607 Sale Of Unclaimed Property	314,017	153,565	370,007	523,572	176,224	0	176,224	176,224	176,224	176,224
1614 Miscellaneous Reimbursements	0	1,073,000	0	1,073,000	2,100,000	0	2,100,000	2,100,000	2,100,000	2,100,000
1616 Drug Elimination	0	123,167	0	123,167	124,937	0	124,937	124,937	124,937	124,937
1630 911 & 311 Assessments	7,350,485	7,600,000	2,000,000	9,600,000	8,189,423	7,065,377	15,254,800	8,189,423	8,189,423	8,189,423
1660 Automated Traffic Enforcement	0	3,725,000	0	3,725,000	3,725,000	0	3,725,000	3,725,000	3,725,000	3,725,000
2531 Narcotics Proceeds	818,800	566,838	161,741	728,579	792,266	0	792,266	792,266	792,266	792,266
2532 Gambling Proceeds	0	20,000	0	20,000	19,565	0	19,565	19,565	19,565	19,565
7278 Asset Forfeiture	477,838	932,000	519,159	1,451,159	861,025	0	861,025	861,025	861,025	861,025
<b>Fire and Emergency Medical Services</b>	<b>0</b>	<b>50,000</b>	<b>0</b>	<b>50,000</b>	<b>60,000</b>	<b>0</b>	<b>60,000</b>	<b>72,000</b>	<b>72,000</b>	<b>72,000</b>
1613 Training Fund	0	50,000	0	50,000	60,000	0	60,000	72,000	72,000	72,000
<b>Department of Corrections</b>	<b>0</b>	<b>197,000</b>	<b>483,000</b>	<b>680,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0601 Concession Income	0	197,000	483,000	680,000	0	0	0	0	0	0
<b>Office of Administrative Hearings</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>185,000</b>	<b>0</b>	<b>185,000</b>	<b>185,000</b>	<b>185,000</b>	<b>185,000</b>
0614 Adjudication Fines and Fees	0	0	0	0	185,000	0	185,000	185,000	185,000	185,000
<b>Office of the Chief Medical Examiner</b>	<b>0</b>	<b>113,000</b>	<b>0</b>	<b>113,000</b>	<b>111,785</b>	<b>0</b>	<b>111,785</b>	<b>111,785</b>	<b>111,785</b>	<b>111,785</b>
0601 Medical Examiner Fees	0	113,000	0	113,000	0	0	0	0	0	0
1234 Autopsy Reports	0	0	0	0	7,500	0	7,500	7,500	7,500	7,500
1235 Cremations	0	0	0	0	85,500	0	85,500	85,500	85,500	85,500
1236 Slides/Photos	0	0	0	0	7,285	0	7,285	7,285	7,285	7,285
1237 Miscellaneous	0	0	0	0	5,500	0	5,500	5,500	5,500	5,500
1238 Storage	0	0	0	0	6,000	0	6,000	6,000	6,000	6,000

**Table 4-28 Special Purpose (O-type) Revenue Funds, by Source (continued)**

**D. Public Education System**

	FY 2003 End of Year Fund Balance	FY 2004 Certified Revenues 5/03 Cert.	FY 2004 Certified Fund Balance 5/03 Cert.	FY 2004 Resources 5/03 Cert.	FY 2005 Certified Revenues 2/04 Cert.	FY 2005 Certified Fund Balance 2/04 Cert.	FY 2006 Certified Revenues 2/04 Cert.	FY 2007 Certified Revenues 2/04 Cert.	FY 2008 Certified Revenues 2/04 Cert.
<b>Commission on Arts &amp; Humanities</b>									
0600 Party Animals II Public Art Project	764,831	0	400,000	400,000	800,000	0	500,000	500,000	500,000
	764,831	0	400,000	400,000	800,000	0	500,000	500,000	500,000
<b>DC Public Library</b>									
0101 Miscellaneous	809,546	590,075	40,000	630,075	606,200	44,800	608,200	610,200	612,200
0102 Bookstore	66,939	23,075	0	23,075	7,200	12,800	7,200	7,200	7,200
0103 Book Fines	69,329	45,000	20,000	65,000	84,000	7,000	86,000	88,000	90,000
0108 Copy Fund	255,222	130,000	20,000	150,000	130,000	0	130,000	130,000	130,000
0150 E-Rate Reimbursement	62,486	75,000	0	75,000	85,000	0	85,000	85,000	85,000
0606 Theodore W Noyes Trust Fund	355,570	300,000	0	300,000	300,000	25,000	300,000	300,000	300,000
0608 Georgetown Peabody Trust Fund	0	7,000	0	7,000	0	0	0	0	0
	0	10,000	0	10,000	0	0	0	0	0
<b>District of Columbia Public Schools</b>									
0601 Lease Income - Security Deposits	352,424	6,527,274	0	6,527,274	7,328,310	0	6,328,310	6,328,310	6,328,310
0602 ROTC	2,090	6,674	0	6,674	14,819	0	14,819	14,819	14,819
0603 Lease Income	0	961,817	0	961,817	962,000	0	962,000	962,000	962,000
0604 Pepco	12,458	3,100,161	0	3,100,161	2,100,541	0	2,100,541	2,100,541	2,100,541
0607 Custodial	0	0	0	0	143,128	0	143,128	143,128	143,128
0608 Nonresident	0	600,000	0	600,000	228,716	0	228,716	228,716	228,716
0609 Security	295,623	241,046	0	241,046	420,868	0	420,868	420,868	420,868
0611 Cafeteria	0	650,000	0	650,000	152,420	0	152,420	152,420	152,420
0613 Vending Machine Sales	0	470,737	0	470,737	1,071,710	0	1,071,710	1,071,710	1,071,710
0621 Parking Fees	0	49,839	0	49,839	470,737	0	470,737	470,737	470,737
0623 Hoop Dreams Scholarship Fund	0	42,000	0	42,000	69,371	0	69,371	69,371	69,371
0625 Career and Tech Education - Mous Trst	0	2,000	0	2,000	42,000	0	42,000	42,000	42,000
0627 BOE - Real Property Improvement Fund	42,253	400,000	0	400,000	2,000	0	2,000	2,000	2,000
0628 Teacher Certification Fees	0	0	0	0	1,400,000	0	400,000	400,000	400,000
	0	0	0	0	250,000	0	250,000	250,000	250,000
<b>State Education Office</b>									
0601 Other Fund	0	176,000	0	176,000	176,000	0	176,000	176,000	176,000
	0	176,000	0	176,000	176,000	0	176,000	176,000	176,000
<b>University of the District of Columbia</b>									
4151 Endowment Income	0	19,434,494	0	19,434,494	0	0	0	0	0
4152 Indirect Costs	0	1,231,744	0	1,231,744	0	0	0	0	0
4153 Post-Secondary Education	0	849,221	0	849,221	0	0	0	0	0
4154 Tuition	0	5,531,046	0	5,531,046	0	0	0	0	0
	0	11,822,483	0	11,822,483	0	0	0	0	0



**Table 4-28 Special Purpose (O-type) Revenue Funds, by Source (continued)**

**E. Human Support Services**

	FY 2003 End of Year Fund Balance	FY 2004 Certified Fund Revenues 5/03 Cert.	FY 2004 Certified Fund Balance 5/03 Cert.	FY 2004 Certified Resources 5/03 Cert.	FY 2005 Certified Revenues 2/04 Cert.	FY 2005 Certified Fund Balance 2/04 Cert.	FY 2006 Certified Revenues 2/04 Cert.	FY 2007 Certified Revenues 2/04 Cert.	FY 2008 Certified Revenues 2/04 Cert.
<b>Department of Recreation and Parks</b>	<b>299,720</b>	<b>1,253,400</b>	<b>0</b>	<b>1,253,400</b>	<b>1,300,000</b>	<b>300,000</b>	<b>1,300,000</b>	<b>1,300,000</b>	<b>1,300,000</b>
0602 Enterprise Fund Account	299,720	1,253,400	0	1,253,400	1,300,000	300,000	1,300,000	1,300,000	1,300,000
<b>Department of Health</b>	<b>8,117,354</b>	<b>17,666,150</b>	<b>50,000</b>	<b>17,716,150</b>	<b>17,127,611</b>	<b>975,000</b>	<b>17,199,611</b>	<b>17,204,611</b>	<b>17,259,611</b>
0600 Special Purpose Revenue Fund	0	2,327,088	0	2,327,088	0	0	0	0	0
0602 Air Quality Construction Permits	360,992	0	0	0	135,000	25,000	145,000	145,000	145,000
0603 Fishing License	145,013	70,000	0	70,000	80,000	0	80,000	80,000	80,000
0604 Oil Spill Fee	19,200	20,000	0	20,000	0	0	0	0	0
0605 SHPDA Fees	546,635	541,216	0	541,216	200,000	0	225,000	200,000	225,000
0606 Vital Records Revenue	375,467	3,120,372	0	3,120,372	3,400,000	0	3,400,000	3,400,000	3,400,000
0607 Underground Storage Tank Fines and Fees	920,872	325,000	0	325,000	325,000	0	325,000	325,000	325,000
0608 Drug Interdiction Fund	815,552	0	0	0	350,000	0	350,000	350,000	350,000
0609 Lust Trust Fund	84,699	45,000	0	45,000	45,000	0	45,000	45,000	45,000
0610 Methadone Fees	0	234,000	0	234,000	300,000	0	300,000	300,000	300,000
0611 Radioactive Waste Fees	7,760	25,000	0	25,000	35,000	0	35,000	35,000	35,000
0612 Food Handlers Certification	150,653	0	0	0	450,000	0	450,000	450,000	450,000
0613 Adjudication Hearings (Community Hygiene)	304,694	67,870	0	67,870	145,000	0	145,000	155,000	160,000
0614 Adjudication Fines	0	183,443	0	183,443	0	0	0	0	0
0621 University Health Clinic Reimbursement	47,982	531,127	0	531,127	580,324	0	580,324	580,324	580,324
0631 Medicaid Collections - Other	0	2,682,000	0	2,682,000	2,682,000	0	2,700,000	2,700,000	2,700,000
0632 Pharmacy Protection	353,920	411,107	0	411,107	375,000	0	375,000	375,000	375,000
0634 Soil Erosion/Sediment Control	580,275	230,616	0	230,616	221,000	0	221,000	250,000	275,000
0638 Animal Control Dog License Fees and Fines	68,678	50,000	0	50,000	65,000	0	65,000	65,000	65,000
0643 Board of Medicine	1,246,818	3,500,000	0	3,500,000	3,123,924	800,000	3,123,924	3,123,924	3,123,924
0645 Pesticide Product Registration	737,333	275,000	0	275,000	400,000	150,000	400,000	400,000	400,000
0646 Storm Water Fees	37,552	7,500	0	7,500	16,000	0	16,000	16,000	16,000
0648 Asbestos Certification and Abatement Fee	659,336	157,000	0	157,000	169,000	0	169,000	169,000	169,000
0649 Health Facility Fee	0	0	0	0	36,000	0	36,000	36,000	36,000
0650 Human Services Facility Fee	118,083	0	0	0	60,000	0	60,000	60,000	60,000
0651 Health Benefits Plans-Bill of Rights	493,531	368,125	50,000	418,125	415,000	0	415,000	415,000	415,000
0652 DC Superior Courts PHSA Agreement	0	434,686	0	434,686	408,147	0	408,147	408,147	408,147
0653 DC General Collections	0	2,000,000	0	2,000,000	1,000,000	0	1,000,000	1,000,000	1,000,000
0654 Storm Water Permit Review	0	60,000	0	60,000	1,000,000	0	1,000,000	1,000,000	1,000,000
0655 SHPDA Admission Fee	33,299	0	0	0	541,216	0	541,216	541,216	541,216
0656 EMS Fees	0	0	0	0	35,000	0	35,000	35,000	35,000
0658 Public Health Laboratory Fees	9,010	0	0	0	15,000	0	15,000	25,000	25,000
0660 HIV/AIDS Medicaid Fees - ADAP	0	0	0	0	250,000	0	250,000	250,000	250,000
0661 ICF/MR Fees and Fines	0	0	0	0	30,000	0	30,000	30,000	30,000
0662 Civil Monetary Penalties	0	0	0	0	75,000	0	75,000	75,000	75,000
0663 Brownfields Revitalization	0	0	0	0	45,000	0	45,000	45,000	45,000
0664 Adjudication Hearings (Air Quality)	0	0	0	0	35,000	0	35,000	35,000	35,000
0665 Adjudication Hearings (Water Quality)	0	0	0	0	25,000	0	25,000	25,000	25,000
0666 Adjudication Hearings (Food, Drug & Radiation)	0	0	0	0	10,000	0	10,000	10,000	10,000
0667 HIV/AIDS Medicaid Fees - Water Filter	0	0	0	0	50,000	0	50,000	50,000	50,000

**Table 4-28 Special Purpose (O-type) Revenue Funds, by Source (continued)**

	FY 2003 End of Year Fund Balance	FY 2004 Certified Revenues 5/03 Cert.	FY 2004 Certified Fund Balance 5/03 Cert.	FY 2004 Certified Resources 5/03 Cert.	FY 2005 Certified Revenues 2/04 Cert.	FY 2005 Certified Fund Balance 2/04 Cert.	FY 2005 Certified Resources 2/04 Cert.	FY 2006 Certified Revenues 2/04 Cert.	FY 2007 Certified Revenues 2/04 Cert.	FY 2008 Certified Revenues 2/04 Cert.
<b>Department of Human Services</b>	<b>0</b>	<b>2,367,498</b>	<b>0</b>	<b>2,367,498</b>	<b>2,132,000</b>	<b>0</b>	<b>2,132,000</b>	<b>2,157,000</b>	<b>2,157,000</b>	<b>2,182,000</b>
0601 Food Stamp Collections	0	125,000	0	125,000	0	0	0	0	0	0
0602 DC Village Maintenance Reimbursement	0	367,000	0	367,000	367,000	0	367,000	367,000	367,000	367,000
0603 SSI Payback	0	0	0	0	400,000	0	400,000	425,000	425,000	450,000
0606 AFDC/TANF Collections IV-D	0	85,498	0	85,498	0	0	0	0	0	0
0610 Vocational Rehab Services Reimbursement	0	390,000	0	390,000	140,000	0	140,000	140,000	140,000	140,000
0611 Cost of Care - Non Medicaid Clients	0	1,400,000	0	1,400,000	1,100,000	0	1,100,000	1,100,000	1,100,000	1,100,000
0613 Food Stamps Collections	0	0	0	0	125,000	0	125,000	125,000	125,000	125,000
<b>DC Energy Office</b>	<b>699,661</b>	<b>2,526,582</b>	<b>0</b>	<b>2,526,582</b>	<b>263,825</b>	<b>433,526</b>	<b>697,351</b>	<b>263,825</b>	<b>263,825</b>	<b>263,825</b>
0610 Petroleum Violation Escrow Funds	187,764	176,582	0	176,582	85,000	186,653	271,653	85,000	85,000	85,000
0620 Utility Discount Programs Funds	246,873	150,000	0	150,000	178,825	246,873	425,698	178,825	178,825	178,825
0661 RETF - Pepco	265,024	2,200,000	0	2,200,000	0	0	0	0	0	0
<b>Department of Child and Family Services</b>	<b>0</b>	<b>650,000</b>	<b>0</b>	<b>0</b>	<b>650,000</b>	<b>0</b>	<b>650,000</b>	<b>650,000</b>	<b>650,000</b>	<b>650,000</b>
0600 Other Funds	0	650,000	0	0	0	0	0	0	0	0
0601 SSI/SSA	0	0	0	0	650,000	0	650,000	650,000	650,000	650,000
<b>Department of Mental Health</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,500,000</b>	<b>0</b>	<b>8,500,000</b>	<b>8,500,000</b>	<b>8,500,000</b>	<b>8,500,000</b>
0610 Federal Beneficiaries	0	0	0	0	3,000,000	0	3,000,000	3,000,000	3,000,000	3,000,000
0640 Medicare & Third Party	0	0	0	0	5,500,000	0	5,500,000	5,500,000	5,500,000	5,500,000

**Table 4-28 Special Purpose (O-type) Revenue Funds, by Source (continued)**

**F. Public Works**

	FY 2003 End of Year Fund Balance	FY 2004 Certified Revenues 5/03 Cert.	FY 2004 Certified Fund Balance 5/03 Cert.	FY 2004 Certified Resources 5/03 Cert.	FY 2005 Certified Revenues 2/04 Cert.	FY 2005 Certified Fund Balance 2/04 Cert.	FY 2005 Resources 2/04 Cert.	FY 2006 Certified Revenues 2/04 Cert.	FY 2007 Certified Revenues 2/04 Cert.	FY 2008 Certified Revenues 2/04 Cert.
<b>Department of Transportation</b>	<b>0</b>	<b>538,946</b>	<b>0</b>	<b>538,946</b>	<b>538,209</b>	<b>0</b>	<b>538,209</b>	<b>538,209</b>	<b>538,209</b>	<b>538,209</b>
6261 Reimbursable Street Repairs	0	222,914	0	222,914	222,177	0	222,177	222,177	222,177	222,177
6462 Restoration of Public Space Program	0	159,032	0	159,032	159,032	0	159,032	159,032	159,032	159,032
6551 Wilson Bridge	0	102,000	0	102,000	102,000	0	102,000	102,000	102,000	102,000
6634 Citizen Streetlight & Traffic Construction	0	55,000	0	55,000	55,000	0	55,000	55,000	55,000	55,000
<b>Department of Public Works</b>	<b>4,096,508</b>	<b>3,865,000</b>	<b>0</b>	<b>3,865,000</b>	<b>2,059,000</b>	<b>2,128,000</b>	<b>4,187,000</b>	<b>2,059,000</b>	<b>2,059,000</b>	<b>2,059,000</b>
6010 Super Cans	0	20,000	0	20,000	14,000	0	14,000	14,000	14,000	14,000
6072 District Recycling Program	2,978,458	1,600,000	0	1,600,000	1,200,000	1,878,000	3,078,000	1,200,000	1,200,000	1,200,000
6564 Lorton Landfill	0	45,000	0	45,000	45,000	0	45,000	45,000	45,000	45,000
6591 Nuisance Abatement (Clean City)	1,113,640	700,000	0	700,000	800,000	250,000	1,050,000	800,000	800,000	800,000
6967 Abandoned Vehicle Program	4,410	1,000,000	0	1,000,000	0	0	0	0	0	0
New Fleet Services Reimbursements	0	500,000	0	500,000	0	0	0	0	0	0
<b>Department of Motor Vehicles</b>	<b>6,208,338</b>	<b>6,756,027</b>	<b>3,663,275</b>	<b>10,419,302</b>	<b>8,616,635</b>	<b>2,625,000</b>	<b>11,241,635</b>	<b>8,616,635</b>	<b>8,616,635</b>	<b>8,616,635</b>
6000 International Registration Plan	2,295,679	564,027	2,052,570	2,616,597	664,669	1,025,000	1,689,669	664,669	664,669	664,669
6221 Drivers Education Fund	0	0	0	0	599,000	0	599,000	599,000	599,000	599,000
6258 Motor Vehicle Inspection Fund	3,912,659	6,097,000	1,610,705	7,707,705	7,084,516	1,600,000	8,684,516	7,084,516	7,084,516	7,084,516
6785 Commercial Driver's License	0	95,000	0	95,000	268,450	0	268,450	268,450	268,450	268,450
<b>Taxi Cab Commission</b>	<b>732,797</b>	<b>360,000</b>	<b>207,000</b>	<b>567,000</b>	<b>362,821</b>	<b>100,000</b>	<b>462,821</b>	<b>402,821</b>	<b>402,821</b>	<b>402,821</b>
2200 Taxicab Driver Assessment Fund	732,797	360,000	207,000	567,000	362,821	100,000	462,821	402,821	402,821	402,821

**District-Wide Total**

	173,692,252	191,942,867	52,595,338	242,888,205	208,623,856	109,621,149	318,245,005	212,022,848	215,151,800	218,447,642
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Note 1: The Office of Contracting and Procurement plans to generate revenue in FY 2004 that will carry-over into FY 2005 as fund balance.

Note 2: The Department of Housing and Community Development plans to receive additional funding in FY 2004 that will carry as fund balance into FY 2005 in the Housing Production Trust Fund.